

Community Services Report to
Audit Committee
2019 December 06

ISC: UNRESTRICTED
AC2019-1175

Status of Community Associations and Social Recreation Organizations on City-Owned Land

EXECUTIVE SUMMARY

This report provides a risk review and compliance status of community associations and social recreation organizations with a lease or license of occupation on City-owned land. Overall, the majority of community groups were low risk and compliant with their lease/license of occupation requirements.

Ratings outlined in this report identify financial, organizational health and building condition risk to The City. The financial ratings analyzed the level of risk represented by the community group's financial measures of liquidity, leverage and performance. The Organizational Health Assessment informed the organizational health ratings. Business planning, policies and procedures and audited financial statements were identified as foundational for organizational health. A building condition rating has been given to community association and social recreation groups with main buildings only. This rating is based on information gathered from Lifecycle Studies.

When a community group is identified as elevated or high risk, customized mitigation strategies are developed and implemented. Administration, through the City liaisons, have continued a proactive approach in working with community groups to mitigate risk.

The report reflects Administration's phased approach in responding to the City Auditor's report recommendations. The addition of an organizational health risk rating for community associations and a building risk rating shows the commitment by Administration to improve the report content and format.

In responding to the diverse interests and perspectives of residents' voices, the community groups described in this report work in partnership with The City to meet community recreational and social needs through program and service delivery. Effective governance, financial and facility management, while meeting community program and service needs, are factors which contribute to organizational sustainability.

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ADMINISTRATION RECOMMENDATION:

That Audit Committee recommends that Council:

1. Receive this Report and Presentation for the Corporate Record; and
2. Direct that Attachment 3 remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences) , and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed 2029 December 06

RECOMMENDATION OF THE AUDIT COMMITTEE, 2019 DECEMBER 06:

That Council adopt Administration Recommendations contained in Report AC2019-1175.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 December 17, Council received AC2018-1099 Status of Community Associations and Social Recreation Organizations on City-Owned Land for information, directed attachments 3, 4 and 5 of this report remain confidential pursuant to sections 23(1), 24(1) and 16(1) of the FOIP Act and remain so until such time as section 16 is no longer satisfied.

On 2017 July 24, Council received AC2017-0401 Calgary Neighbourhoods Support of Community Associations Audit report for information.

On 2012 February 27, Council approved CPS2012-03 including policy CSPS2011 Lease/License of Occupation to Community Organizations. This policy required submission of a board-approved business plan, as well as a lifecycle study, within one year of the commencement of the lease or license of occupation.

On 2006 January 19, Audit Committee approved AC2006-02 Status of Community Associations and Social-Recreation Organizations on City of Calgary-owned Land, directing Administration to expand the report to include all third-party organizations with facilities on City-owned land that Community Services liaises with, and include financial exposure as it relates to an evaluation of liabilities exceeding assets available to satisfy these liabilities.

On 2003 December 18, Audit Committee approved AC2003-68 Financial Status of Organizations on City-owned Land, directing Administration to expand the report to include information on insurance, lease status and lease payment.

On 1994 January 31, Council approved NM94-03 Facilities on City-owned Lands, directing Administration to acquire financial statements from all organizations which are responsible for facilities on City-owned land; review encountering financial problems; strategies for containing costs and increasing revenues; bring to Council a report including an evaluation of costs or liabilities potentially facing the City.

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BACKGROUND

This is the annual status report for community associations and social recreation organizations and also responds to recommendations from the City Auditor (AC2017-0401 Calgary Neighbourhoods' Support of Community Associations Audit) including relevant information about The City's risk as it relates to a community group's organizational health and a facility's condition.

In 2018, The City of Calgary had a lease/license of occupation with 184 community groups; 121 community associations and 63 social recreation groups, for the purpose to provide social, leisure or recreation opportunities for the benefit of Calgarians.

Administration annually completes a report on the lease/license of occupation compliance status of these community groups which serves the following purposes:

1. Provides a snapshot of the general health of community groups;
2. Assesses The City's exposure to risk by proactively identifying community groups struggling to maintain their lease/license of occupation status, and;
3. Identifies risk mitigation strategies to support community groups identified as elevated and high risk.

The risk review process for community groups includes an analysis of financial, organizational health and building condition data. Attachment 1 provides comprehensive definitions for these ratings including the risk thresholds for low, elevated or high risk.

Work on measures of service for community associations continues. A tool was developed to capture individual and collective measures of service to the community and was piloted with all community associations. Further refinement of the tool is required to determine the best measures and establish a baseline. Results will be reported in 2020.

Attachment 2 provides an update pertaining to the phased management response to Recommendations 1 & 2 of AC2017-0401.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Based on a review of 2018 information, the majority of community groups are rated as low risk and are stable organizations capable of delivering programs to meet the needs of their community. The risk rating, compliance status data and mitigation strategies for each ward for all 184 community groups currently operating on City-owned land is provided in Attachment 3 (in prior year reports this information was captured in three separate attachments and the information has now been provided in one attachment).

Financial Ratings

Administration has reviewed the financial status of community groups on City-owned land and found the following:

Of the 184 community groups, 171 received a financial risk rating:

- 149 were rated as low risk; 14 were rated as elevated risk; and eight were rated as high risk

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Thirteen remaining community groups will be rated upon receipt of financial information.

Organizational Health Ratings

The Organizational Health Assessment tool was completed for all community associations.

Of the 121 community associations:

- 117 were rated low risk; four were rated as elevated risk; and none were rated as high risk.

Building Condition Ratings

Lifecycle maintenance of assets on City-owned land continues to be an area of concern for many community groups and the Capital Conservation Grant (CCG) continues to be a primary funding source for this work. Facility Management has implemented a City-supported asset management decision support software (Powerplan), to support in assessing the condition of community group's buildings and assets. It is anticipated that Powerplan will contribute to value-driven decisions for capital funding with a consistent, repeatable approach for this portfolio of assets. Over the course of the next year, Facility Management will work towards building and refining standardized criteria that will further inform and identify asset related risks, which will be shared in future reports as well as with community groups.

Compliance Results

Attachment 3 outlines community groups non-compliant with their lease/license of occupation due to overdue financial statements or insurance, or the submission of insufficient insurance. It also includes community groups that have not yet entered into a new agreement; therefore, the agreement is in "overhold". At the time of writing this report, financial statements were overdue for 10 community groups, three groups had not submitted proof of insurance, 10 groups had insufficient insurance and 12 groups currently have agreements in overhold.

Acquiring compliant insurance certificates from community groups continues to be a focus for Administration. Through the implementation of an insurance checklist, community groups have increased their understanding of the lease/license of occupation insurance requirements. The Risk Management group within the Law Department has been working with a number of the community groups' insurance brokers to mitigate risk without overburdening the community groups with increased policy premiums.

Risk Mitigation

Administration continues to work with groups on City-owned land to support all aspects of governance, financial management, business planning, facility operations, lifecycle, and redevelopment work to ensure their long-term sustainability. City liaisons form close working relationships with the board of directors from community groups; therefore, they are integral to identifying when boards are experiencing challenges and will recommend when additional support is needed. Mitigation strategies are unique to each community group and may include, but are not limited to:

- City liaison working with groups to identify revenue opportunities, sustainable business plans, partnership initiatives, best practices, governance and organizational capacity;

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- Annual review and assessment of the financial health of community groups;
- Semi-annual review of business plans, lifecycle studies and lease/license of occupation requirements, and;
- And access to the Capital Conservation Grant (CCG) and the Community Sustainability Reserve (CSR)/financial consultant support.

Stakeholder Engagement, Research and Communication

Administration annually sends a letter to each community group which communicates The City's rating review process, the financial, organizational health and building condition risk rating received and potential mitigation, if applicable. The letter guides ongoing conversations with community groups in working towards organizational sustainability. In addition, City liaisons will discuss the lease/license of occupation requirements at monthly meetings.

Strategic Alignment

The recommendations in this report align with the One Calgary citizen priority, A City of Safe and Inspiring Neighbourhoods. The creation of the Organizational Health Assessment tool was informed by the strategic actions as outlined in the Strategy 5 for Neighbourhood Support Line of Service.

In responding to evolving program and service delivery, Administration works with community groups to develop partnerships to share services and spaces. This aligns with *The Corporate Facility Planning and Delivery Framework*, Goal 5, Complete Communities.

As a best practice, community groups are encouraged to align with The City's Risk Management Framework which is consistent with accountability measures being developed as part of implementing the *Investing in Partnerships Policy*.

Social, Environmental, Economic (External)

Social

Community groups create gathering spaces that foster inspiring neighbourhoods. By supporting these community groups and positioning facilities as community assets, Administration fosters a vibrant city with strong and inclusive neighbourhoods where citizens are empowered, connected and involved in healthy, active and creative lifestyles.

Environmental

Administration has been working with community groups to develop guidance on how to best leverage funding sources for renewable energy and energy efficiency projects. Some community groups are participating in energy audits, purchasing energy-efficient appliances and equipment, and experimenting with solar power.

Economic

With Calgary's changing economy, the viability of a community group is dependent on its ability to adapt to the changing needs of those living and working in the neighbourhood. Administration supports community groups to remove barriers to help vulnerable residents create and participate

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in economic initiatives, providing opportunity for all. Community groups contribute extensive financial and voluntary resources for the benefit of many Calgarians.

Financial Capacity

Current and Future Operating Budget:

There are no implications as a result of this report.

Current and Future Capital Budget:

There are no implications as a result of this report.

Risk Assessment

1. Out of the 171 financial submissions received from community groups, 123 community groups had their financials audited or reviewed by an independent professional accounting firm while the remaining 48 community groups opted to self-review their financial statements.

To mitigate the risk of misstatements associated with the self-review process, Administration continues to encourage the community groups to seek an independent professional audit. The Federation of Calgary Communities also continues to offer lower cost public practice audits to the community groups.

2. Should any community group on City-owned land default or cease operations, the amenity may stop operating. Calgarians would be impacted through a change in programs and/or services.

To manage this risk, in collaboration with stakeholders, City liaisons work to refine the support offered to community groups. These resources help community groups to continue to offer valuable programs and services while activating and maintaining safe and inclusive spaces that respond to residents' needs.

3. Administration is aware of the challenges aging infrastructure places on community groups and their ability to maintain assets on City-owned land.

Through the Capital Conservation Grant (CCG) program, Administration will continue to offer funding and resources to community groups to address lifecycle needs that contribute to maintaining spaces that are safe, accessible and inclusive for all Calgarians. Administration will leverage Powerplan to gain a more informed understanding of the current state and risk profile of this portfolio of assets. In addition, Powerplan will be used to support long-term capital plan development and resource allocation decisions that will positively influence the future state of these assets.

REASON(S) FOR RECOMMENDATION(S):

The annual review of community associations and social recreation organizations on City-owned land enhances accountability, highlights risks, and provides an opportunity for Council to

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understand the current state and challenges. The information identifies the processes in place to help the community groups be sustainable.

ATTACHMENT(S)

1. Attachment 1 - Definitions of Rating Terms
2. Attachment 2 - Response to City Auditor's Report
3. Attachment 3 - Risk Ratings, Compliance Status and Mitigation Strategies by Ward (Confidential)