

The City of Calgary's Principal Corporate Risks

The most strategic risks that could impact The City's ability to achieve its results and deliver services to citizens (i.e. the Principal Corporate Risks (PCRs)) are reviewed and discussed at least twice per year by the Administrative Leadership Team (ALT).

The Principal Corporate Risks (PCRs) have been updated and were approved by the Administrative Leadership Team (ALT) on 2020 June 25. Since the 2019 Year-end Risk Report to the Audit Committee (AC-2020-0011), the total number of risks (17) remains the same although the five priority risks have changed.

The five priority risks are a subset of the 17 PCRs that the ALT identified as a focus for The City. Attachment 2 provides details on the five priority risks including the criteria for determining that a Principal Corporate Risk is a priority. On 2020 June 25, the ALT approved five priority risks for 2020: Financial Risk, Health and Safety Risk, Infrastructure Management Risk, Economic Risk and Reputation Risk. Since last reporting to the Audit Committee in 2020 January, Economic Risk has been added to the list of priority risks with Political Risk being removed.

In addition, there has been one PCR title change and one risk owner change. The PCR changes and rationale are provided below:

- The Health and Safety Risk title changed to Health, Safety and Wellness to reflect the physical and psychological aspects that can impact employees at work.
- The Security risk owner changed from the City Solicitor to the City Manager.

The 17 Principal Corporate Risks are shown below in alphabetical order along with the respective risk owner. The five priority risks are identified by an asterisk.

Business Continuity Risk Owner: General Manager, Community Services

An interruption to an essential service provided to Calgarians as a result of a vulnerability being exposed to a natural, technological or human-induced hazard.

Capacity for Change Risk Owner: City Manager

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.

Economic Risk* Owner: City Manager

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.

Environmental Risk Owner: General Manager, Utilities & Environmental Protection

Climatic changes may cause disruptions to operations and service delivery as well as impacts to infrastructure, the environment and Calgary's citizens. The Climate Resilience Strategy aims to maximize Calgary's resilience in the context of a changing climate.

Financial Risk* *Owner: Chief Financial Officer*

Funding constraints (lower general revenues, franchise fees and/or higher expenses) and over-reliance on debt financing may lead to an inappropriate financing structure and negatively impact service delivery and the ability to maintain critical infrastructure and adapt to growth.

Growth Risk *Owner: General Manager, Planning & Development*

While growth carries a number of economic and social benefits, it is also a significant risk for The City because infrastructure and services need to be in place timed with demand. This means The City must anticipate both the level and spatial pattern of growth. The risks of ineffective growth planning are financial and reputational which can impact The City's capacity to deliver and provide infrastructure and services that meet city-wide demands.

Health, Safety and Wellness Risk* *Owner: General Manager, Utilities & Environmental Protection*

Workforce culture, organizational resilience, and employee health, safety and well-being are affected by internal factors such as the pace/amount of organizational change, as well as external factors such as Calgary's economic environment and population health.

Infrastructure Management Risk* *Owner: General Manager, Transportation*

The City owns and operates public infrastructure systems such as water service, storm and sanitary sewers, roads, sidewalks, pathways, bridges, and other structures and buildings. The City is exposed to the risk of these assets failing as they age, particularly if lifecycle maintenance is not prioritized appropriately.

Legal & Compliance Risk *Owner: City Solicitor and General Counsel*

Law provides Legal Counsel and Advocacy (LCA) services to the Mayor and Council, City Manager, General Managers, Directors and employees of every business unit at The City. 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.

Operations, Process Risk *Owner: Chief Financial Officer*

Failure to ensure appropriate processes are in place to manage the complexity of operations.

Partnership Risk *Owner: General Manager, Community Services*

Counterparty risk arising from City partners unable to deliver services. This analysis focuses on Civic Partners, and Community Associations and Social Recreation Organizations with a Lease or License of Occupation. The health and sustainability of these partners impacts delivery of services and programs to Calgarians and the management and operation of City-owned assets.

Political Risk *Owner: City Manager*

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.

Reputation Risk* *Owner: Director, Customer Service & Communications*

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.

Security Risk *Owner: City Manager*

A violent attack on or in City space could result in loss of life, serious injury, as well as halting critical service delivery.

Social Impact Risk *Owner: General Manager, Community Services*

Changing social conditions, and the model of shared responsibility between government and community for social outcomes puts pressure on The City's capacity to respond to the diverse needs of Calgarians with preventive programs and services. This risk can have negative impacts on the social wellbeing of citizens and result in The City investing in more costly downstream interventions.

Talent Management & Workforce Planning Vulnerability Risk *Owner: Chief Human Resources Officer*

Inability to attract, develop, engage and retain key talent and knowledge to meet current and future business needs.

Technology Risk *Owner: Chief Information Technology Officer*

Vulnerabilities are any weaknesses identified in The City's information technology environment that may leave information and technology assets exposed to a potential threat through malicious emails, websites, viruses, data breaches and information disclosures. These threats can put The City at risk for disruption to services, information theft or loss, malicious programs being uploaded, or identity theft.