

## The City's Risk Profile at Mid-year 2020

The City's Risk Profile shows the effects of operating within a heightened risk environment. This Attachment updates The City's Risk Profile following the 2020 mid-year cross-corporate risk review.

The update consists of six parts:

1. An overview of risk management's role in responding to COVID-19.
2. A visual representation of The City's Principal Corporate Risk (PCR) ratings resulting from the mid-year corporate review, including key points and changes since the last update to the Audit Committee on 2020 January 24 (AC2020-0011).
3. An update on the five priority risks for 2020.
4. A summary of capital risks to the organization.
5. Critical uncertainties that can inform risk-based decision making.
6. Appendix: The City of Calgary's Risk Matrix.

### **Part 1: COVID-19, Risk and The City's Response**

Risk management's role in responding to COVID-19 is paramount in Calgary's Municipal Emergency Plan and two of its annexes – the Infectious Disease Management Plan and Corporate Business Continuity Plan. These plans lay out actions that should be taken during any pandemic event and outline the associated governance of decisions. Additionally, specific supply risk is managed by the pandemic stockpile capital program, which ensures ample supplies of facial PPE is available for our essential services. COVID-19 taskforces have been convened to manage our response to the event and maintain service delivery. The structure of the COVID-19 task forces are being reviewed to ensure The City remains responsive in our changing environment.

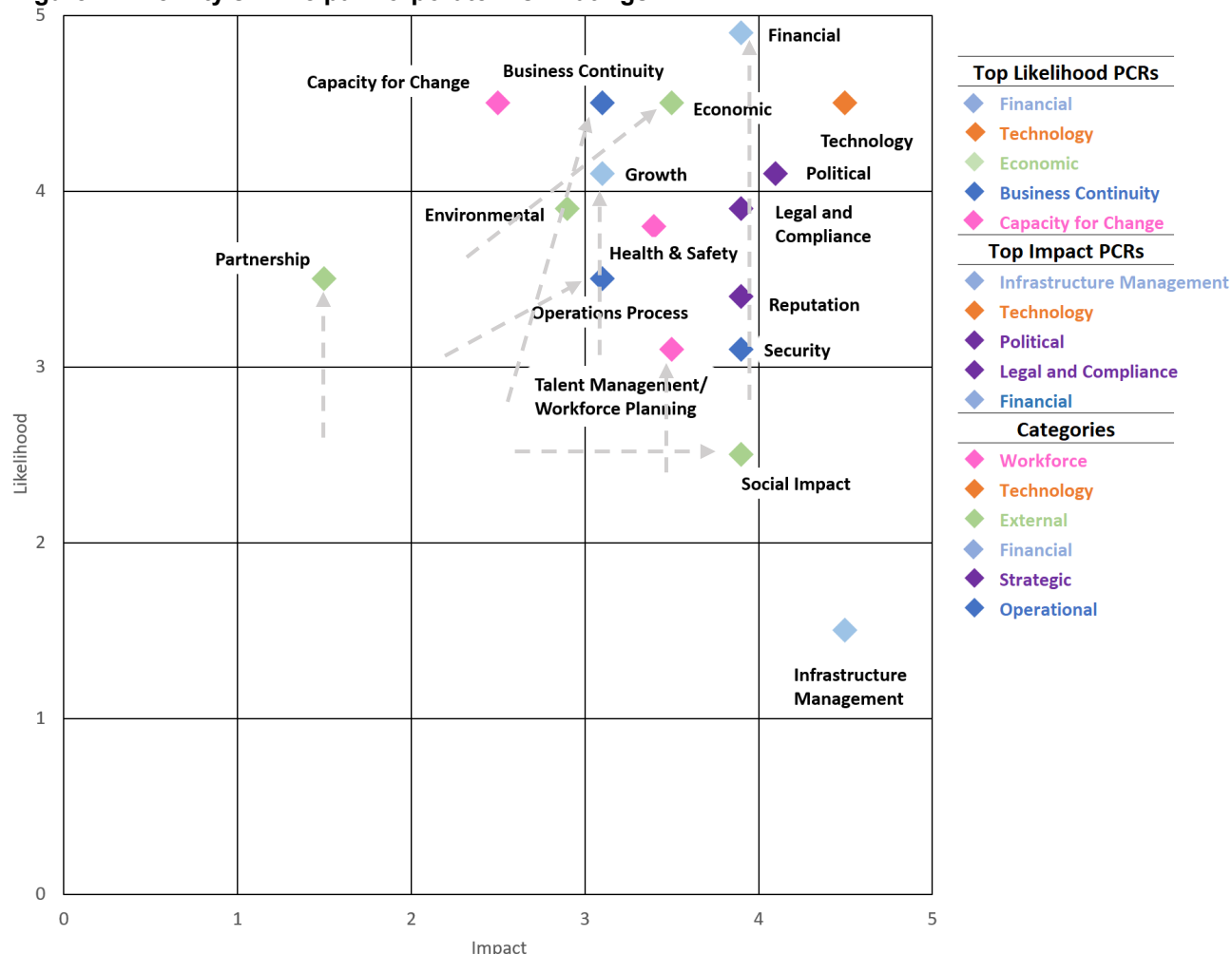
The City is advancing through the response phase of COVID-19 and into a prolonged recovery. This will require the organization to adapt our risk management priorities to the new normal of this dynamic environment.

CEMA has established two phases of risk response and prioritization to lead The City's COVID-19 actions. CEMA's initial focus was on containing the spread of the virus by prioritizing: the health and safety of employees and citizens, the continuity of essential services, and supporting public health interventions. For the recovery phase, CEMA's focus for risk management is on sustaining the risk mitigation gains we've achieved and on maintaining the capacity of our critical systems. Current priorities include: supporting the continuity of critical infrastructure, protection of public health, situational awareness and communication, and resilience and recovery planning. As The City transitions into recovery, we will continue to monitor and prepare for a possible second wave of COVID-19 cases in the community.

## Part 2: Principal Corporate Risk Ratings

Figure 1 below illustrates The City's PCR risk ratings as of 2020 mid-year. The grey arrows demonstrate risks that have moved from their 2019 year-end risk ratings.

**Figure 1: The City's Principal Corporate Risk Ratings**



Note: The categories in Figure 1 (i.e. workforce, technology, external, financial, strategic, operational) indicate which PCRs are related and connected to each other. Risks within a common category can have a compounding impact.

Since the 2019 year-end Principal Corporate Risk report to the Audit Committee, eight PCRs have changed their risk rating as shown in the table below. The updates reflect information provided by subject matter experts, as well as new sources of risk information made available to the Integrated Risk Management team such as brief questionnaires, reviewing key risk indicators and measures, as well as scenario planning submissions related to COVID-19 and The City's response strategies.

PCR	Rating Change	Justification
<b>Business Continuity Risk</b>	From Medium to Extensive	The City is expecting business continuity disruptions to continue at least throughout 2020. Every service line has been impacted by COVID-19 as well as The City's ability to



PCR	Rating Change	Justification
		meet its strategic goals as resources are redirected to addressing response and relaunch efforts.
<b>Economic Risk</b>	From High to Extensive	The combination of the COVID-19 pandemic and the collapse of crude oil prices have caused three principle shocks to Calgary's economy: structural change, supply shock and a demand shock. The culmination of the three shocks has had a significant impact on our economy.
<b>Financial Risk</b>	From High to Extensive	Administration has forecasted a budget gap for 2020 due to a decrease in revenue, increase in expenditures, and delayed or deferred billing – and has taken steps to close this gap. The longer the pandemic and economic downturn lasts, the greater financial impact we are anticipating.
<b>Growth Risk</b>	From High to Extensive	With the emergence of COVID-19 and the fall in world oil prices the likelihood of deviation of growth from projections has increased. This can impact our ability to achieve policy goals and overall vision. This has cost implications for the level of service as well as the area over which that service is provided.
<b>Operations, Process Risk</b>	From Medium to High	The City's operations and processes are experiencing an increase in risk due to strategy and service reductions throughout COVID-19 response. Multiple services have noted they do not have the resources and capacity to update policies and processes, as efforts are diverted to addressing the pandemic.
<b>Partnership Risk</b>	From Low to Medium	For many of The City's partners, the impact of public health orders on their revenue generating activities is affecting their ability to meet operating and capital expenses in the short and longer term, impacting their sustainability. This is particularly significant for those with lower reserve levels.
<b>Social Impact Risk</b>	From Medium to High	New pockets of poverty are emerging as some populations have been more adversely impacted than others. This is likely to result in a significant increase in Fair Entry applications. Non-profit preventive social service organizations that assist Calgarians experiencing vulnerabilities are facing significant challenges including increased demand for their services, increased complexity in client need, revenue generation and unforeseen costs associated with the COVID-19 pandemic response.
<b>Talent Management and Workforce Planning Vulnerability Risk</b>	From Likelihood of 'Possible' to 'Likely'	The COVID-19 situation has a direct impact on our workforce, which has required a modification throughout the organization (for example, layoffs and hiring freeze). While work continues, such as organizational development and diversity and inclusion, some delays are inevitable. *The overall rating did not change, the likelihood of negative impact for this risk has increased while the impact remains stable.

### Part 3: Five Priority Risks

On 2019 December 10, the ALT approved the 2020 Five Priority Risks: Financial Risk, Health, Safety and Wellness Risk, Infrastructure Management Risk, Political Risk, and Reputation Risk.

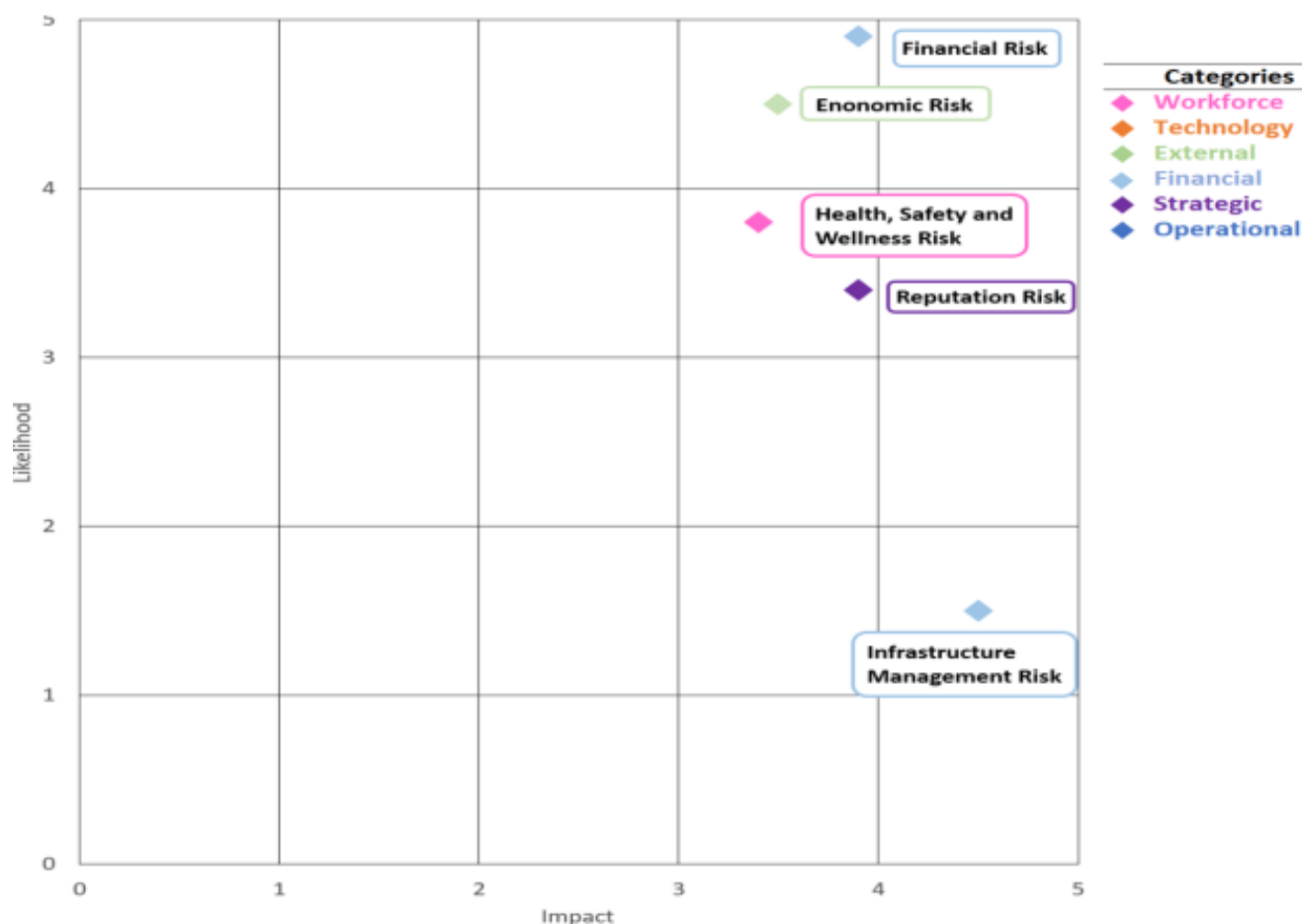
To reflect the changing circumstances and strategic direction of the organization, on 2020 June 25, the ALT updated the Five Priority Risks to replace the Political Risk with the Economic Risk.

The Five Priority risks are determined based on the following criteria:

- Expected increase in pressure on this risk.
- Requires focus and attention on risk controls or responses.
- Requires cross-corporate effort to effectively manage.

The City continues to experience significant exposure in these five risks. The Integrated Risk Management team held sessions with subject matter experts on each of these risks to discuss current indicators and response strategies and will continue to work with stakeholders throughout the organization to support proactive risk management practices. Figure 2 illustrates the 2020 Five Priority Risks. Detailed information on each of the Five Priority Risks follows.

**Figure 2:** Five Priority Risks (rating at mid-year 2020)



***Economic Risk: responding to multiple shocks***

The city of Calgary is experiencing a lot of change and uncertainty when it comes to economic risk. It is a small open economy and is exposed to global events. The global lockdown to contain the COVID-19 pandemic and the collapse of crude oil prices have caused three principal shocks to Calgary's economy: structural change, supply shock and a demand shock. This is particularly disruptive to Calgary because its growth in terms of local economy is driven by its participation in international trade, especially the exports of Alberta's crude oil and other commodities to the outside markets.

***In response***

The Economic Resilience Task Force exists to recommend short-term strategies specifically related to the COVID-19 shock. Meanwhile, medium and long-term recommendations are being developed to address the city's resilience to all three shocks. The economic risk is being managed by a coordinated response to these shocks, an emphasis on economic recovery in decision making, and resilience-building activities.

***Financial Risk: managing finances while exposure increases***

While Calgary faces the combination of the COVID-19 pandemic, economic disruption, and the collapse of crude oil prices this has resulted in considerable financial pressures for the organization. As impacts on Calgary's economy accumulate, The City is experiencing an increase in expenditures, revenue loss, and delayed or deferred tax and fee collections.

The City's financial controls have allowed us to respond to these shocks and blunt the impacts to the organization; however, a continued, sustained pressure on this risk could hinder The City from achieving its objectives.

***In response***

There are three overall responses to this risk:

1. Taking on additional financial risk to lessen impacts on citizens by delaying or reducing expenditures and hiring or using reserves and using corporate liquidity to offer relief.
2. Increasing reporting to Council to closely monitor the situation and develop a framework for economic recovery.
3. Focusing on closing the financial gap. Administration is continuing to identify and develop more sophisticated scenarios to inform tactics to close the revenue gap and understanding service and financial impacts of the unpredictable recovery impact.

***Health, Safety, and Wellness Risk: focusing on people in the organization***

While the pandemic and our response to it has significantly impacted the organization's workforce, maintaining a safe and healthy place for people to work remains a top priority for The City.

Employee safety and wellness indicators have improved in recent months, yet the risks to employee well-being remain high due to internal factors such as the pace/amount of organizational change and workforce demographics, as well as external factors such as Calgary's economic environment and population health.

Increased pressure and stress on employees due to various internal and external factors may negatively affect employee mental health and resilience over time. Psychological safety continues to be an important issue for The City.

**In response**

Several important strategies and tactics are being implemented to protect employee physical and psychological safety.

A psychological safety governance working group has been formed to coordinate support to employees and The City regarding accountability and responsibilities pertaining to psychological safety.

Lost Time Claim Frequency is The City's key measure to track safety performance. For this measure, a lower score indicates better performance. Overall, safety performance in 2019 improved over the previous year. However, it may take time to achieve sustained, long-term positive results on health, safety and wellness performance.

***Infrastructure Management Risk: measuring the conditions of City assets***

Currently, this risk faces a high degree of uncertainty. There is the potential for further reductions in capital funding (either through City budget adjustments or funding from other orders of government) which could put further pressure on the infrastructure systems.

There is a continued risk that the condition of The City's infrastructure will degrade. In order to maintain a high level of asset conditions to suit the business needs of the organization, regular inspections, assessments, funding, and prioritization of work are required. Delayed maintenance can impact the conditions of the City's facility assets that already are under pressure.

**In response**

The City has implemented additional monitoring for any potential stimulus packages that may come from other orders of government that would directly impact this risk.

In areas experiencing lowered demand, some maintenance activities have been accelerated to take advantage of the lessened impact of disruptions.

***Reputation Risk: watching citizen trust and confidence in The City***

In times of crisis, citizens interact differently with local, provincial, and federal governments. Citizens look to The City for trustworthy information and evidence of data-driven actions in response to the pandemic.

There is a great deal of scrutiny and attention on The City as the heightened financial risk and related decisions can increase the risk exposure for the organization's reputation.

As the pandemic continues, increasingly services have noted reputation risk as their top risk. This is due to sustained cancellations and service reductions which may negatively impact citizens' perceptions. The City is currently seeing an increase in satisfaction which is consistent with the pattern typically experienced in times of crisis.

While the risk remains high for the organization, it is too early to predict how the COVID-19 crisis will impact The City's reputation in the long term.

## In response

The City of Calgary is providing focused communication and engagement for employees, citizens and businesses to promote safety and well-being during the COVID-19 crisis. Examples of these efforts include a monthly citizen survey on The City's COVID-19 response as well as ongoing employee engagement via livestreams and regular email updates. These targeted initiatives are a response to the ongoing crisis and serve to uphold The City's reputation. It is anticipated that these efforts will result in a temporary increase in citizen satisfaction, trust and confidence, resulting in overall strengthened reputation during the crisis.

## **Part 4: Capital Risks**

Related to The City's capital projects, The City is facing a volatile situation. While the COVID-19 pandemic is a disruptive event, The City remains optimistic about its ability to deliver its capital portfolio approved in the One Calgary Service Plans and Budgets. While some challenges remain (i.e. contractual, access to human capital, access to materials), The City is working to address these to maintain minimal impact on project delivery.

Infrastructure Calgary is monitoring the risks, issues, impacts and status of capital investments as a result of the COVID-19 pandemic and is working with services that deliver capital investments to support risk mitigation and advance projects where possible. The City continues to work with industry partners to maintain construction as an essential service and keep Calgarians working safely through the pandemic.

## **Part 5: Critical Uncertainties**

To complete The City's risk profile at mid-year 2020, a new section on critical uncertainties facing the community and our organization is included below. The critical uncertainties are realities that are unstable or unpredictable and are important to understand to plan ahead and inform decision-making in the short, medium and longer term. An initial listing of critical uncertainties facing Calgary and the community is organized below.

### ***Community and social uncertainties – How do we continue to be a city of safe and inspiring neighbourhoods?***

The fear of a second wave of the pandemic and its potential impact on public health is a concern for our city and neighbourhoods. The impacts from COVID-19, the precautions and the lockdowns are having a lasting effect on mental health and social cohesion. The following uncertainties will challenge to us to continue to be a safe and inclusive city:

- Social unrest and citizen protests
- Less physical togetherness and fewer community gatherings
- Current and future mental health impacts
- Social inequalities, impacts on vulnerable populations
- The role of partnerships: including Civic Partners, other governments, post-secondary, The City and the private sector.

### ***Health and wellness and environmental uncertainties – How do we continue to lead in environmental policies and practices to support healthy, active citizens? The following uncertainties will challenge us to be a healthy and green city:***

- Increased demand for open spaces



- Change in philosophy about health and how we recreate
- Personal hygiene norms and expectations
- Health and science-based decision making
- Continued support for climate change strategies

***Mobility uncertainties - How do we continue to be a city that moves?***

Changing commuter patterns and consumer behavior is impacting planning for our City's transportation network and transportation hubs. The following will challenge us to offer convenient, affordable, accessible and efficient transportation choices keeping Calgarians moving and connected.

- Transit ridership, the way we move and interact
- Transportation hubs and measures to promote public health, screening, and proximity
- Protecting essential workers and those working outside of the home who use transit
- Increased cycling and pedestrian traffic

***Economic, financial and business uncertainties - How do we continue to be a prosperous city?***

The fallout from the COVID-19 pandemic, global economic disruptions and the impact from lower than expected oil prices will have a lasting effect on Calgary. The following critical uncertainties will challenge us to attract talent, provide opportunities and be the best place in Canada to do business:

- Changing business models
- Vacancies in downtown buildings
- Future development investment
- Changing commuter habits and consumer behaviours

***Municipal governance uncertainties - How do we have a modern and efficient municipal government that makes citizens' lives better every day?***

- Employer responsibilities and employee rights
- Property tax system stability and changing revenue sources
- Working from home
- User fee levels required for services
- More technology – online services

The critical uncertainties are important to understand to plan ahead and inform decision-making in the short, medium and longer term. As a next step, further conversations are planned to focus and support a nimble and agile organization that is capable of emerging stronger and thriving into the future.



## Appendix: The City of Calgary's Risk Matrix

		Risk Matrix				
		Level	Probability*			
Likelihood	5 Almost Certain	90% and greater	Medium	High	High	Extensive
	4 Likely	65-89%	Low	Medium	High	Extensive
	3 Possible	35-64%	Low	Low	Medium	High
	2 Unlikely	11-34%	Slight	Low	Low	Medium
	1 Rare	10% and less	Slight	Slight	Low	Low
		Impact				
		1 Negligible	2 Minor	3 Moderate	4 Significant	5 Severe
		Minimal impact. Still able to achieve objectives without disruption.	Coping strategies required - able to be addressed with existing plans and resources.	Challenges to achieve objectives. Some delay, aspects of objectives only met in part.	Difficulties to achieve objectives. Delays or notable aspects of objectives not completed.	Unable to meet objectives due to serious, extended disruption.

		1 Negligible	2 Minor	3 Moderate	4 Significant	5 Severe
Impact Category	Workforce	<ul style="list-style-type: none"> <li>Minor injury or first aid treatment.</li> <li>Low turnover; easy to hire people with required skills in a timely fashion.</li> </ul>	<ul style="list-style-type: none"> <li>Injury requiring treatment by medical practitioner and/or lost time from workplace.</li> <li>Minor psychological impact.</li> <li>Some turnover; some difficulty in hiring people with required skills in a timely fashion.</li> </ul>	<ul style="list-style-type: none"> <li>Major injury or psychological illness/hospitalization.</li> <li>High turnover; small delays in ability to hire people with required skills in some areas of the organization.</li> </ul>	<ul style="list-style-type: none"> <li>Permanent, or multiple major, injuries or psychological illness.</li> <li>High turnover; notable delays in ability to hire people with required skills in some areas of the organization.</li> </ul>	<ul style="list-style-type: none"> <li>Conditions that could result in fatality(ies).</li> <li>Very high turnover; unable to hire for extended periods of time people with required skills in many areas of the organization.</li> </ul>
	Technology	<ul style="list-style-type: none"> <li>Non-critical system faces minor interruption.</li> <li>Compromise of unrestricted information otherwise available in the public domain.</li> </ul>	<ul style="list-style-type: none"> <li>Non-critical system faces significant interruption.</li> <li>Minor compromise of protected information sensitive to internal or sub-unit interests.</li> </ul>	<ul style="list-style-type: none"> <li>Critical system faces minor interruption.</li> <li>Compromise of protected information sensitive to the organization's operations.</li> </ul>	<ul style="list-style-type: none"> <li>Critical system faces significant interruption.</li> <li>Compromise of restricted information sensitive to organizational interests.</li> </ul>	<ul style="list-style-type: none"> <li>Irreparable widespread damage to critical system(s).</li> <li>Compromise of restricted information with major, ongoing impact.</li> </ul>
	External	<ul style="list-style-type: none"> <li>Immediately reversible damage.</li> <li>Minimal flood damage in an isolated area.</li> </ul>	<ul style="list-style-type: none"> <li>Short-term reversible damage.</li> <li>Minimal flood damage in more than one area.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term reversible damage.</li> <li>Major flood damage in an isolated area.</li> </ul>	<ul style="list-style-type: none"> <li>Limited irreversible damage.</li> <li>Major flood damage in more than one area.</li> </ul>	<ul style="list-style-type: none"> <li>Widespread irreversible damage.</li> <li>Massive flood damage in multiple areas throughout the city.</li> </ul>
	Financial	<ul style="list-style-type: none"> <li>Financial impact is within expected variance and pre-emptively accounted for.</li> </ul>	<ul style="list-style-type: none"> <li>Financial impact is expected and planned for with minor adjustments needed.</li> </ul>	<ul style="list-style-type: none"> <li>Financial impact is greater than planned for, some delay, reduction in scope or alternate funding is required.</li> </ul>	<ul style="list-style-type: none"> <li>A large unplanned financial impact. Significant delays or adjustments to scope are required. Some alternate funding may be achieved.</li> </ul>	<ul style="list-style-type: none"> <li>Unplanned financial impact that results in indefinite delays or cancellation of work. Alternate funding is not able to be acquired.</li> </ul>
	Strategic	<ul style="list-style-type: none"> <li>A strategic goal within the organization is slightly impacted.</li> <li>Reputation to internal stakeholders may be slightly impacted.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic goal within the organization requires some adjustment.</li> <li>Reputation to key internal stakeholders is adversely impacted.</li> </ul>	<ul style="list-style-type: none"> <li>An organizational-wide strategic goal is compromised.</li> <li>Reputation to internal and some external stakeholders may result in some loss of confidence and trust in the organization.</li> </ul>	<ul style="list-style-type: none"> <li>Unable to deliver on an organizational-wide strategic goal for a sustained period of time.</li> <li>Reputation sustains extended, substantial damage to confidence and trust.</li> </ul>	<ul style="list-style-type: none"> <li>Unable to deliver on an organizational-wide strategic goal indefinitely.</li> <li>Reputation extended, substantial damage to confidence and trust which is irreparable.</li> </ul>
	Operational	<ul style="list-style-type: none"> <li>Minimal impact on non-core operations. The impact can be dealt with by routine operations.</li> </ul>	<ul style="list-style-type: none"> <li>Some impact on organizational capability in terms of delays, systems quality but able to be dealt with at operational level.</li> </ul>	<ul style="list-style-type: none"> <li>Impact on the organization resulting in reduced performance such that targets are not met.</li> </ul>	<ul style="list-style-type: none"> <li>Some unavailability of critical skills/people.</li> <li>Breakdown of key activities leading to reduction in performance.</li> </ul>	<ul style="list-style-type: none"> <li>Protracted unavailability of critical skills/people.</li> <li>Critical failure(s) preventing core activities from being performed.</li> </ul>