

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 Executive Leadership Team (ELT). The PCRs have been updated and were approved by the ELT on 2020 December 8. Since the 2020 Mid-year report to the Audit Committee (AC2020-0711), the total number of risks (17) remains the same; however, one of the five priority risks has changed.

The five priority risks are the subset of the 17 PCRs that the ELT identified as a particular focus for The City at this time. On 2020 December 8, the ELT approved the five priority risks: Economic Risk, Financial Risk, Health, Safety and Wellness Risk, Reputation Risk, and Social Impact Risk. Since reporting to the Audit Committee on 2020 July 23, Social Impact Risk has been added as a priority risk and Infrastructure Management Risk has been removed as a priority risk. Attachment 3 provides further details on the five priority risks, including the criteria for determining them.

In addition, four Principal Corporate Risks have updates to their risk descriptions; three risks have minor changes and one has a significant update.

- Growth Risk (minor change to description for clarity).
- Infrastructure Management Risk (minor change to description for clarity).
- Partnership Risk (minor change to description for clarity).
- Social Impact Risk (significant change to description). The changes include the addition of economic conditions contributing to social unrest and the addition of public demand for The City to develop new approaches and investments for the delivery of programs and services.

The 17 Principal Corporate Risks are listed 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 and timed with demand. This means The City must anticipate both the amount and pattern of growth. The risks of ineffective growth planning are financial and reputational and can impact The City's capacity to deliver 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 like water service, storm and sanitary sewers, roads, sidewalks, pathways, bridges, tunnels, Ctrain tracks, structures, and buildings. The City is exposed to risk of these assets failing as they age, particularly if lifecycle maintenance is not prioritized.

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 or manage assets. This analysis focuses on Civic Partners, and Community Associations and Social Recreation Groups 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 and economic conditions have contributed to social unrest. 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 public demand for The City to develop different approaches and investments in the delivery of programs and services.

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.