



CALGARY CONVENTION CENTRE AUTHORITY 2020 Audit Governance Overview Report

City of Calgary/Calgary Convention Centre Authority Mandate, Vision and Responsibilities:

Mandate and Vision

The Calgary TELUS Convention Centre (CTCC) is Calgary's meeting place, which brings the community together in a central hub to connect, learn, innovate, celebrate, support and grow. The CTCC connects Calgary with the global community, leveraging assets to create opportunities that impact the lives of Calgarians and Canadians.

The Calgary Convention Centre Authority (CCCA) strives to manage, market and operate the CTCC in an efficient and market-competitive manner in order to maximize overall economic benefits to the City of Calgary, while maintaining acceptable financial performance.

CTCC hosts professional, personalize & customized experiences – all ways.

History and Responsibilities

The CTCC is owned by the City of Calgary and operated by the CCCA. The CCCA was incorporated through an Act of the Legislative Assembly of Alberta in 1974. The CCCA operates the facility on behalf of the City under the terms of the mandate passed by City Council in 2005.

Pursuant to the Glenbow Museum Agreement signed in 1973, the CCCA entered into an agreement with the City to provide maintenance, repairs, cleaning and janitorial services to the Glenbow Museum. The CCCA also provides maintenance and repairs to the commercial and retail spaces owned by the City in the North Building. Through an agreement between the City and Balboa Land Investments Inc. signed in 1999, the CCCA operates and maintains the shared loading dock in the North Building. A Food and Beverage Services Agreement issued by the City of Calgary gives the exclusive rights to all food and beverage services in the CTCC to the attached hotel (currently the Calgary Marriott Downtown Hotel) until 2039. Through a joint agreement with the City, the CCCA and TELUS, the CCCA manages the TELUS Naming and Business Rights contract.

The CTCC is a place where people gather, visions are realized, ideas are exchanged, knowledge is shared and relationships are built. The CTCC is thoughtful in its offering and entrepreneurial thinking. CTCC is a platform where global leaders connect, a community hub for local, national and international events and an economic driver for our city.

As a brand, the CTCC has a collective offering of three key components: our services, our location, and our people. Together, these three components drive the CTCC brand as a convention and event boutique space, providing premium customer focused service within an urban neighbourhood, all located in the vibrant heart of Downtown Calgary.

Governance

1. A brief outline of your organization's governance structure including board committees, term lengths and limits, skills matrix, evaluation, succession and recruitment planning for all positions.

Established under provincial legislation, the CCCA operates the CTCC, which is owned by the City of Calgary. The Board of Directors of the CCCA oversees the conduct of the CCCA's business and supervises its management. Management is responsible for the day-to-day conduct of the business. The CCCA is comprised of 11 members (Directors), (8) of which are drawn from the community and (3) from the City of Calgary. Directors serve on a 4-year term. No community member may serve more than 10-years in total, with the exception of the Mayor and the City of Calgary representatives who are each appointed for a 1-year term. The Directors appoint a Chair for a four-year term, a Vice Chair for a one-year term and a Past-Chair for a two-year term. There are two sub-committees within the Board: The Governance & Human Resources

Committee (GHRC) and the Audit & Finance Committee. Each committee Chair position is nominated yearly. The CCCA prescribes appropriate staggering of board term limits. Board members must possess an understanding of board governance. The role of a board member is to be ethical, with high standards of personal integrity and to contribute positively and respectfully to board discussions. A Board skills matrix is completed and reviewed annually to evaluate the skills and experience of the Board members, and is also used to review what is needed when recruiting for new members. Additionally, the survey is completed annually to evaluate board conduct and effectiveness.

2. Specific to your organization's board committees:

- (a) What is the frequency of review of the compositions and Terms of Reference, and are there any recent changes to the Committee Charter or Terms of Reference?**

As part of the GHRC Work Plan, the committee composition and Terms of Reference is reviewed annually. No recent changes have been made to the Committee Charter or the Terms of Reference.

- (b) What frequency does the board's governance committee regularly assess board composition to ensure the board has the requisite skills, competencies, diversity and independence to provide oversight required by the organization (e.g. financial, legal and risk oversight)?**

The GHRC reviews annually the terms of each of the members along with board succession and discusses selection requirements for incoming board members. To best assess Board composition and recruitment needs, the Board undertakes two evaluations each year: the Director Evaluation of Board Conduct and Effectiveness, and the Board Member Skills Matrix. Both evaluations are conducted by the GHRC, and the results and analysis are presented to the Board. The Board conduct and effectiveness evaluation has proven to be critical in ensuring that the board and its work are relevant and kept at a high standard and is useful for identifying any gaps or concerns. The skills matrix allows the Board to identify potential new skills and competencies (including experience and diversity) specifically required to govern new strategic directions.

- (c) What is the current composition of the Audit Committee including relevant financial experience?**

The Audit Committee is comprised of 6 Board members as follows;

- i. Rob Palmer, Director & Committee Chair: CFO, Calgary Airport Authority
 1. BComm, CPA, CA
- ii. Levonne Louie, Director
 1. MBA, BComm, B.Sc., ICD designation and concluded 38 years in oil and gas industry
- iii. Tom Bornhorst, Director & Past Board Chair: interim VP Corporate Development, Applied Research and International, SAIT
 1. BComm, MBA
- iv. Wellington Holbrook, Board Chair: Chief Operating Officer, ConnectFirstCU,
 1. BComm, MBA
- v. Greg Yont, Director: Concluded lengthy career with Agrium
 1. Professional Engineer with B.Sc. Mechanical Engineering
- vi. City Rep: Councilor Diane Colley-Urquhart

(d) What is your Audit Committee's 2021 Work Plan?

CCCA Audit & Finance Committee 2020 Work Plan

Date	Topic
Quarter 1	2021 Budget Review and Recommendation 2020 Y/E Financials Review
Quarter 2	2021 1 st Quarter Financials 2020 Audit Presentation (Deloitte)
Quarter 3	2021 2 nd Quarter Financials Audit Service Plan
Quarter 4	2021 3 rd Quarter Financials 2022 Budget & Business Plan

Financial and Performance Reporting

3. Brief summary of your organization's recent financial highlights and key 2021 initiatives/strategy.

2020 Financial Highlights

The CTCC was on track for a very successful year. After the announcement by WHO characterizing the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, it resulted in a subsequent series of public health and emergency measures to contain transmission of the virus. As a direct result of these measures, the CTCC was closed to the public on March 23, 2020, and events rescheduled to the fourth quarter of 2021 and 2022.

The CTCC completed a Temporary Layoff (TLO) strategy in 2020, decreasing staffing by 67%. Of note the CTCC was not eligible for federal and provincial COVID funding.

The CTCC successfully retained \$9.2M of revenue through rebookings and rescheduling. In the span of three months, the team, working with an international representative, successfully generated leads for future events. In partnership with FMAV (now Encore), the CTCC reviewed alternative revenue streams and created Virtual Studio programming that accommodates any type of virtual or hybrid event a client is wishing to host.

Results of Operations

Total revenue for the fiscal year 2020 was \$18.8M, which included a City of Calgary operational grant of \$3.5M and capital grant of \$5.9M. Total operating expenses were \$15M. In 2020, a surplus of \$3.8M was moved to the reserve fund.

At 2020 year-end, a total of \$12.2M in assets (net book value) was recorded on the CCCA statement of financial position. This amount has been capitalized as renovations, building enhancements and equipment.

A greater focus was placed on lifecycle replacement and repair of the critical infrastructure systems necessary to deliver top-tier client experiences. The Authority focused on capital improvements through the The City's Convention Centre Lifecycle Program and accessed \$5.9M.

2021 Strategic Initiatives

The CTCC is in the process of finalizing a major project whereby an external vendor will provide putative and validated economic, social, and cultural analysis. The purpose of this initiative is to allow the CTCC to quantify the direct, indirect, and induced economic contributions catalyzed by the organization to the City of

Calgary, Province of Alberta, and Canada. Moreover, this study will examine the potential benefits stimulated by the CTCC as an agent of post-pandemic economic revitalization and renewal.

Management is proactively leveraging CTCC's success as a vaccination site, and the profound success of our partnerships with provincial and civic agencies, creating positive community profile and platform for the CTCC in a post-pandemic environment.

Although COVID-19 interfered with the CTCC's initial plans to support business continuity, the team continues to find new and innovative ways to support business continuity for the CTCC and for the City of Calgary. COVID-19 has allowed CTCC to focus on the relationships with local, national and international partners. CTCC participated in a joint re-opening plan with the Calgary Stampede BMO Centre, Edmonton Convention Centre and Edmonton Expo Centre. The re-opening plan became the template for a number of other relaunch plans within Alberta and neighbouring provinces. The CTCC works alongside many local, provincial and national partners and stakeholders that monitor COVID-19's effects on the Tourism Industry, including, Calgary Hotel Association, Tourism Calgary, Alberta Health Services and the Government of Alberta. The CEO also serves on the Hotel and Convention Centre Advisory Committee for Alberta Health Services.

The CTCC continues to develop strategic markets by:

- Investing in cultivating business from European Markets.
- Investing in in-market events.
- Pursuing the social and nonprofit sector.

4. How has the board considered environmental, social factors and metrics into its 2021 planning, and beyond?

Like many organizations in 2020/2021, the CTCC was preoccupied and consumed with the social and financial impacts of the global pandemic. The positive social impact of hosting an emergency centre and the CTCC's provision of an optimized COVID-19 vaccination venue for the Government of Alberta (Alberta Health Services) were a critical factor in establishing this partnership and reinforced the CTCC's commitment to the Calgary community and establishing the foundation for economic and social renewal post-pandemic.

Our ongoing commitment to environmental and social sustainability remains core to our values and our operational focus.

5. 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 number of evaluations and strategy sessions are conducted annually to improve efficiencies at the CTCC.

The Board evaluates its performance annually through the Board Conduct and Effectiveness Survey, which focuses on several aspects including its effectiveness, direction to management and administration and controls in place. Additionally, the survey allows for members to provide comments and recommendations on improving efficiencies for the Board and management.

There is a long-standing process for the CEO's annual performance evaluation and goal setting which forms a cycle throughout the year. The cycle starts with planning in Q1, goes through feedback and adjustment in Q2 and Q3, and then a final evaluation in Q4 which feeds into the next cycle of planning. After the high-level strategic direction is established for the year by the end of Q1, the CEO in conjunction with the Board Chair and GHRC sets out 5 priorities as well as KPI's for the year. The CEO's performance is then evaluated against those priorities and KPI's. At meetings throughout the year (one per quarter) the CEO, Chair of the Board and Chair of the GHRC discuss progress toward the year's priorities, and any required course of correction is decided on and recorded. Towards the end of the year, the CEO prepares a self-assessment in relation to the performance and the Board undertakes its assessment. The GHRC analyses both assessments and prepares a report to the Board. As a final step, the CEO and the Board Chair and Chair of

GHRC discuss the results and develop a plan for correction, if any. For both the Board and CEO evaluations, the GHRC oversees and administers the processes.

The CEO's approved priorities and KPI's act as the basis for yearly priorities and KPI's for Senior Management who, in turn, develop priorities and KPI's for their teams. All are aligned to the organizational strategic plan.

Several strategy sessions are held annually, starting with the Board Strategy Session with the Executive Team. The Board and executives will review current state, future state and the organization's relevance to the City of Calgary and to the meetings and events industry. Subsequently, the Senior Leadership Team (directors) will participate in a strategy session with the Executive team based on the outcomes of the board strategy session, following which, each director will manage a strategy session for their respective departments, ensuring consistency across all departments and with each level of management to the board.

6. Are there any regulatory or market changes that impacted the business approach in 2020 and would they be relevant to share publicly with the Audit Committee?

With the onset of COVID-19, a number of health restrictions were put in place that impacted the business in 2020. Due to the number of restrictions mandated by provincial and municipal government, many events were postponed or cancelled. The CTCC's inability to host events resulted in taking the building offline to clients and visitors which, resulted in temporary staff reductions at the CTCC. The temporary reductions allowed CTCC's core operations to continue while taking into consideration potential future staffing needs.

Through the CCCA Enterprise Risk Management Policy, the Enterprise Risk Management Team assembled and reviewed the risks associated with COVID-19. As a result, a Relaunch team was established and created an extensive Relaunch Guide with a number of new/updated procedures and processes to manage events and operations in the new COVID-19 environment. Additionally, the Sales team successfully retained deposits and moved events into future dates and continued to book new business for 2021-2028.

The CCCA also created and implemented a Lobbyist Policy for the CTCC to assist with ensuring compliance when communicating with the Provincial and Federal Government.

7. Please provide the most recent management letter including management responses as appropriate.

Please see Attachment #2 – Business Insights and Recommendations Letter.

Enterprise Risk Management

8. What are your organization's principal risks including financial and operational as well risk management policies and procedures?

The organization's principal risk in 2020 was the COVID-19 pandemic and how it impacted the CTCC's core business, in that face-to-face meetings and events were no longer safe nor permitted. In the wake of these restrictions, securing funding remained a risk for the year as revenue from normal business activities was no longer available. Finally, the absence of an updated Memorandum of Understanding (MOU) between the CTCC and BMO Centre presents an ongoing sustainability risk, insofar as the MOU would outline the unique capabilities of each facility and define the respective roles in the attraction and servicing of meetings, exhibitions and conventions in Calgary. The CTCC and the BMO Centre at Calgary Stampede have commenced initial discussions on developing a joint approach for future sales initiatives for the destination.

Risks are constantly reviewed at all levels within the CTCC and are identified immediately to the SitRep group and further discussed at the weekly Senior Leadership Meetings and elevated to respective Board Committees when necessary.

9. How is the principal risks oversight assigned, tracked, and monitored by the board?

Relevant risks are addressed at each of the quarterly sub-committee meetings with an overall summary and further discussion/review at the Full Board meeting. Depending on the risk, a Special Meeting may be called to address the specific impending risk.

10. What internal controls are in place to manage risk including information technology and systems?

In 2020, the CTCC strengthen the segregation of duties within all departments and approved a span of control.

The CTCC has a number of controls in place to mitigate and manage risk through IT Systems including several layers of firewalls. Developments in 2020 necessitated several upgrades to increase security to the existing system. With the sudden transition to remote working, an upgrade to the VPN added additional protective services and extended visibility into all traffic within the system. Several user authentication software were activated adding the additional layer of protection. IT completed a massive overhaul on the internal network and server infrastructure to increase size and security, including a separate server network for the CTCC's security cameras. A rigorous back-up schedule is in place to ensure information is kept up-to-date in case of a failure in antimalware or if a virus were to intrude in the system.

The CTCC continues to follow all GDPR, CASL, PIPEDA, PIPA, and Canadian Federal data privacy laws. CCCA privacies are included in the CTCC Employee Manual and are signed off by each staff member during the onboarding process. Policies are reviewed with staff with sign-offs annually.

A fully developed 'Disaster Recovery Plan/Business Plan' is kept up-to-date and housed in the cloud ready to be activated by the team when needed. The IT team is also cross trained to allow for redundancies and the ability for each member to step in where/when needed. In case of emergency, CTCC has a partnership with consulting teams that can assist 24/7. Penetration testing and review of security procedures are scheduled biennially and was last completed in 2020.

11. What frequency does the board continually evaluate oversight controls, processes and disclosure?

The CCCA Board continues to evaluate oversight controls, processes, and disclosures at each meeting. Annually, the Span of Control is reviewed by the Board and provides any recommended changes when needed. Risk and other disclosures are presented to the relevant sub-committee as information, or to further discuss. These risks are then further presented to the Full Board with recommendations or with updates on progress. Special Committees can be called to address certain time-sensitive risks.

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

Each year, the CTCC undergoes an extensive third party audit on its financial statements. Management at the CTCC is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The Auditors concluded the review of the CTCC's 2020 financial statements and confirmed that the statements were presented fairly, and all material presented is in accordance with Canadian public sector accounting standards. Any risks or gaps in procedures that are identified are then communicated immediately to the CTCC and addressed with the management team to monitor or rectify.

Talent and Culture

13. Have there been any significant changes to your organization's executive leadership?

The CTCC underwent a change within Management. Kurby Court was appointed President & Chief Executive Officer (previously Vice President, Experience) and recruited Carol McQuade to the position of Vice President, Finance (previously from Inn From the Cold Society as Director, Finance and Operations).

14. How are the board's diversity goals included in your organization's corporate governance framework to ensure diversity is promoted for the board, executive and organization?

In 2020, the CTCC's HR team underwent the process of reviewing, updating and developing policies for the CTCC. The Diversity Policy was developed and approved by the Board. The CCCA is dedicated to providing an atmosphere free from barriers, where all employees are included and treated with dignity and respect in order to promote equity and diversity. The CCCA celebrates and welcomes the diversity of all employees, stakeholders, and external (contract) personnel. It is the policy of the CCCA to foster an environment that respects people's dignity, ideas and beliefs thereby ensuring equity and diversity in employment. This commitment is demonstrated by providing a supportive work environment, policies and a corporate culture that welcomes and encourages equal opportunities for all employees.

15. What mechanisms are in place to support concerns of management and employees?

The CCCA is committed to the highest ethical standards, whereby we conduct business with integrity and by being in full compliance with all applicable laws, rules, and regulations. Aligned with this commitment, the CCCA provides an avenue for anyone to raise concerns they may have and assurance that in registering complaints they will be protected from retaliation for raising concerns in good faith.

The CCCA has implemented a Whistleblower policy which incorporates a third-party HR organization that is retained to monitor a dedicated Whistleblower Hotline and to report monthly on any activity to Management.

This policy has been adopted to ensure that all employees understand their obligation to report any wrongdoing that may adversely impact the CCCA, customers, shareholder, employees, investors, or the public at large.

16. Describe the board's compensation strategy including retention and morale; pay ratios; transparency; views of the shareholder and stakeholders; and long-term strategy and objectives.

The GHRC ensures that the CTCC compensation program is appropriately structured and balanced and is in line with key issues of interest to the shareholder. In particular:

- (i) Pay is tied to performance.
- (ii) Total pay is in line with the compensation peer group.
- (iii) The pay mix for the CEO and the entire senior executive team reflects an appropriate amount of pay "at risk".
- (iv) The overall company risk profile is uncompromised by compensation structure.

The GHRC conducts an annual review of CTCC alignment with current compensation principles. The GHRC and the Board are mindful of the need to balance risk and reward in compensation. While the CEO and the senior executive team clearly have a larger proportion of their compensation at risk, the compensation structure and mix of rewards reinforces an appropriate level of risk-taking behaviour and does not encourage sub-optimization or reward actions that could produce short-term success at the cost of sustainable long-term results. Importantly, the Board monitors and reviews all significant capital expenditure and organization performance against the approved strategic plan, annual budget, annual organization scorecard and the CEO's goals and objectives on a regular basis.

The primary tenets of the CCCA Board approved compensation philosophy are that the CTCC will:

- Include third-party monitoring of the employment market that affects the ability to attract and retain staff to drive the strategy forward in 2020 and beyond.

- Compensate at a median market level.
- Consider complete compensation when establishing salary ranges, including benefits.
- Continue to use performance-based reviews for all staff.

Given the line of business and its multi-faceted mandate of fiscal management and economic impact, the process of evaluation is complex and takes into account both private and public sector comparable data. In 2019 the Board approved a compensation plan for 2019-2022, implemented a new staffing structure and reviewed processes that will take place over the next 3 years. This allows the CTCC to maintain best practices in hiring, reviewing performance and staff management and development within the annual budget parameters. The CCCA Board is committed to good governance for the entire organization including compensation. From 2019-2022, the CCCA Board will be using compensation and other tools to support all employees to drive towards activating the CTCC in new and exciting ways. Performance is a critical component of the CCCA Board's philosophy.

Summary of the 2020 External Auditor Report to the Calgary Convention Centre Authority

On the recommendation of the CCCA Audit + Finance Committee, the Board appointed Deloitte for the 2020 audit services.

Audit Conclusions

- An unqualified opinion was issued on the financial statements.
- No significant weaknesses in internal control were identified.
- No illegal or fraudulent acts, or significant transactions inconsistent with ordinary business, were identified.
- No unusual related party transactions were identified.
- No disagreements with management, limitations placed on scope, or other difficulties were encountered during the audit.
- For the 2020 Financial Statements, there were no corrected or uncorrected misstatements noted.