

## The City's Risk Profile at Mid-Year 2021

A year into the COVID-19 pandemic and the continued economic downturn, The City of Calgary and the community have worked together to manage and respond to the heightened uncertainty. The City's Risk Profile shows the impacts of operating in this heightened risk environment and our organization's ability to adapt service delivery during these uncertain times. This attachment updates The City's Risk Profile following the 2021 mid-year cross corporate risk review.

The update consists of:

- Part 1: Setting the Context - What's happening in Calgary?
- Part 2: Changes in The City's Risk Profile
- Part 3: Updates to the Five Priority Risks
- Part 4: Capital Risks
- Part 5: What's on the horizon for The City of Calgary?

### **Part 1: Setting the Context - What's happening in Calgary?**

Based on the corporate mid-year risk review process and a more positive economic outlook, Calgary appears to be emerging from the heightened and volatile risk environment. The changes in The City's Risk Profile indicate a decrease in the level of risk, which highlights The City's ability to respond and adapt service delivery.

Some uncertainty remains in Calgary's road to recovery that could impact The City's operations and workforce, as well as the community. Examples of areas in which uncertainty remains are the effects of the third wave of COVID-19 on local businesses, increased social unrest, vaccine supplies for the second dose, and discontinuation of COVID-19 federal and provincial government funding to support businesses and Calgarians. There is a risk of a fourth wave and potential re-occurrence of pocket outbreaks which increases the level of uncertainty. The City will need to closely monitor and balance the positive outlook and remaining uncertainty to inform plans and strategies for recovery.

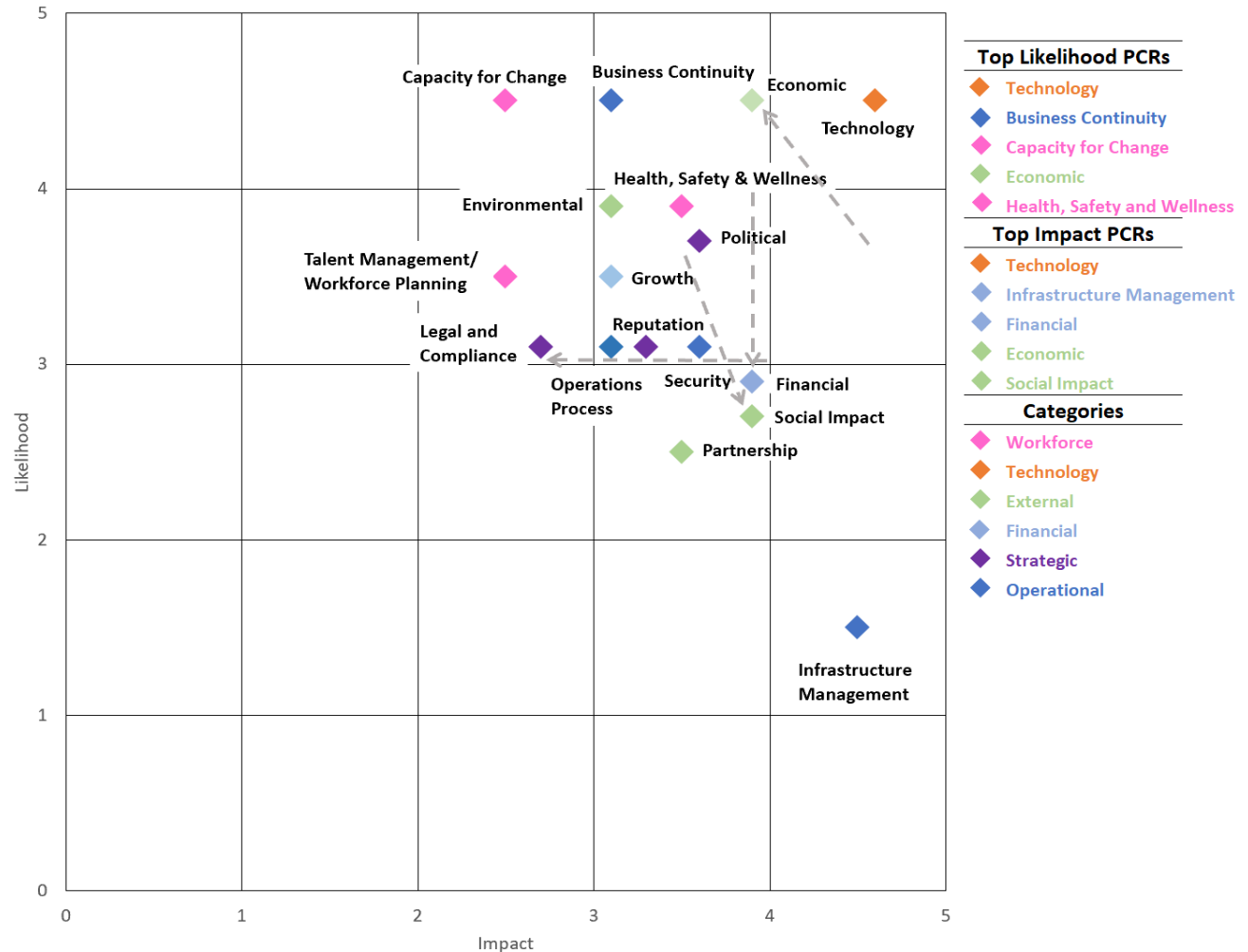
The City's Risk Profile is directly and indirectly impacted by changes in our environment. The City is better positioned to respond to the continuous strain of the COVID-19 pandemic and the economic shock to our local economy compared to the 2020 year-end risk report (AC2021-0037). The City is resilient and uses a variety of responses including: adapting service delivery to protect the health and safety of citizens and staff, introducing new strategies to support local businesses and working together with other orders of government to manage the impacts on citizens, businesses and the community.

## Part 2: Changes in The City’s Risk Profile

The updates in The City’s Risk Profile, Figure 1, reflect that The City is better positioned to respond and manage the increased uncertainty in our environment. Almost all risk rating changes, demonstrated by the gray arrows, represent a decrease in the risks compared to the 2020 year-end risk report (AC2021-0037).

**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.



These updates are based on information collected through the mid-year Corporate Risk Review process (service risk registers and Principal Corporate Risk (PCR) Evidence-Based One Pagers), discussions with subject matter experts, review of key risk measures and indicators, COVID-19 Reporting and The City’s Response Strategies.

Since the Annual Principal Corporate Risk Report (AC2021-0037) to the Audit Committee on 2021 January 28, four PCRs have revised risk ratings as shown in the table below.

PCR	Rating Change	Justification
<b>Economic Risk</b>	Likelihood increased from Likely to Almost Certain  Impact decreased from Severe to Significant	The likelihood of this risk increased because Calgary is experiencing a “K-shaped Recovery”, in which certain sectors recover faster than others. The third wave of COVID-19 infections brought renewed restrictions and business closures that has impacted the local economy. However, The City implemented multiple strategies to manage this risk and the positive economic outlook in combination with the vaccine roll-out contributes to the decrease in impact.
<b>Financial Risk</b>	Likelihood decreased from Likely to Possible	The funding received from other orders of government, the strength of the City’s reserves and the fact that municipal tax payments were largely received as planned helped manage the funding constraints. Additionally, use of COFLEX program funding for specific COVID-19 activities by The City, Civic Partners, businesses and the Calgary community has led to a decrease in the likelihood of this risk.
<b>Legal and Compliance Risk</b>	Impact decreased from Significant to Moderate	The success of the strategy implementation has decreased the potential impacts of this risk. Strategies continue to evolve to manage this risk with a focus on early and frequent communication and engagement with Legal Services and enhanced technology-based solutions for legal instructions, efficiency and customer self-services.
<b>Social Impact Risk</b>	Likelihood decreased from Likely to Possible	Effective collaborations with the province, partners and nonprofit organizations to coordinate COVID-19 has led to a decrease in the likelihood. To ensure greater investments in social programs, the Intergovernmental and Corporate Strategy division, in collaboration with Family and Community Support Services (FCSS) Alberta, continue to advocate for sustained future funding.

**Updates to the Five Priority Risks**

The five priority risks are determined by the following criteria:

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

Based on the analysis from our mid-year cross corporate risk review process, the Five Priority Risks (Economic Risk, Financial Risk, Health, Safety and Wellness Risk, Reputation Risk and Social Impact Risk) remain the same.

### **Economic Risk: a more positive outlook on the recovery**

Calgary is experiencing a K-shaped recovery, in which certain sectors will recover quicker than others. The third wave of the pandemic introduced new restrictions and resulted in additional business closures impacting a local economy already under pressure. The Calgary unemployment rate continues to trend above the national average and the average of comparable Canadian cities. Businesses, which have proven to be resilient through the pandemic, are at an increased financial risk due to prolonged reduced revenue opportunities. The potential impacts on the business community will continue after the federal and provincial government relief measures expire.

The downtown vacancy rate remains a concern for The City as businesses are adapting to remote work as a result of the pandemic. This imposes an ongoing economic risk and potential financial impacts to The City's tax base and revenue sources from downtown real estate development and businesses.

The vaccine roll-out will be an important driver of Calgary's economic recovery, and the number of Albertans who have received their first and second dose of the vaccine continues to increase. The rise in oil prices, capital investment in infrastructure from the federal and provincial government and an indication of moderate to strong consumer demands are contributing to a more positive outlook on the local economy. In combination with The City's response strategies, this contributes to the decrease in the potential impacts to the Economic Risk.

#### **In response**

The City's strategies and initiatives to manage this risk include:

- Identifying 63 City-specific plans, programs and initiatives to address and understand Calgary's profound economic challenges.
- Addressing downtown core challenges through the Calgary's Greater Downtown Plan and initial investments of \$200 million to support the implementation of outlined actions in the plan.
- Continuing to implement the Economic Recovery Task Force recommendations to support economic progress with a focus on identifying city buildings investments, enabling and supporting a business environment of innovation and investment, and investment in wellbeing of local communities.
- Receiving financial support from other orders of government that will be used to support new spending or tax relief to residents and businesses.

### **Financial Risk: managing operational and capital constraints**

The City continues to experience a high level of operating and capital funding constraints. The third wave of the COVID-19 pandemic and business closure restrictions continue to put pressure on this risk. For the operating budget, The City's revenue is impacted due to recreation facility closures, a decrease in transit ridership and permit revenue reductions. Certain operating costs are also increasing due to expenditures on pandemic supplies and additional facility cleaning measures to protect staff and the public, provision of additional technology equipment for remote work and overtime expenses. Other operating areas have experienced a reduction in expenses. The funding received from other orders of government, the strength of The City's reserves and the receipt of municipal tax payments largely as planned helps manage the operational funding constraints.

With respect to the capital budget, provincial infrastructure funding reductions, off-site levy collection and uncertainty related to Green Line may impact the ability to maintain critical infrastructure and adapt to growth (including major projects). The financial risk is likely to extend to the end of 2021, depending on the effectiveness of the vaccine roll-out to minimize the spread of COVID-19.

### **In response**

To respond to this risk, The City implemented various measures to closely manage the strain on the operating and capital budget. They include:

- Continued implementation of the SAVE Program to maintain prudent fiscal habits.
- A requested change to the short-term borrowing bylaws for flexibility to manage working capital requirements.
- Offer relief measures to taxpayers through the Corporation's liquidity.
- Launch and use of the COFLEX funding program for COVID-19 specific activities.

### **Health, Safety and Wellness Risk: building employee resiliency**

The risk to employee health and wellbeing remains high, even though employee safety and wellness measures have improved (i.e. Corporation-wide Lost Time Claim Frequency has decreased, and the overall Safety Performance improved in 2020 from previous years). However, additional pressure is put on this risk by the continued pace and amount of organizational change and workforce dynamics, as well as, external factors such as increased demands for extra activities to ensure public and staff safety and reporting as part of The City's COVID-19 response. These impact employee capacity, stress, and burnout.

Psychological safety remains an important focus for our organization. The City has prioritized efforts to build employee resilience and create physically and psychologically safe work environments by using data to uncover hazards, understand incidents and assess the success of responses.

### **In response**

Efforts to protect employee health and safety and support a positive employee experience are ongoing. These measures include:

- A psychological safety governance working group to coordinate support to employees and The City regarding accountability and responsibilities for psychological safety.
- Specific initiatives are being implemented to improve safety performance including: Joint Worksite Health and Safety Committees, corporate-wide mandated safety engagement and inspections, internal safety auditing program and mandatory health, safety and wellness training for all City Staff.
- The development and implementation of strategies to reduce lost time claims and sickness and accident claims (e.g. Corporate Safety Strategy, Healthy Workplace Strategy, Personal Protective Equipment Standardization and the Accommodation Strategy).

### **Reputation Risk: telling our value story of high-quality affordable services**

The City's reputation is impacted by positive and productive relationships with citizens, businesses, partners and the ability to work with other orders of government. The pandemic has made City programs and services more top-of-mind for citizens, and this increases the visibility of existing services and restrictions on other services.

Data collected through the Citizen Satisfaction Survey indicated satisfaction with The City's COVID-19 response and performance of Council and Administration. Overall trust in The City and that The City is open and accessible is trending down. The increase of misinformation and the persistent fragmentation of news and information sources impacts the trust in government and challenges The City's communication efforts.

#### **In response**

The management of this risk requires collaboration between business units and elected officials. Key strategies include:

- A focus on telling our story of high-quality, affordable services to better communicate the value provided for taxes and strengthen trust.
- Speak with One Voice in response to COVID-19 and ensure aligned and updated communications.
- Support multiple City initiatives directly tied to the economic recovery with coordinated messages that convey open and transparent communication and focus on Calgary as a business-friendly city.

### **Social Impact Risk: continuing to respond to the diverse needs of Calgarians**

The pandemic in combination with continued economic challenges has increased the demand and complexity of needs for social support and increased social unrest in Calgary. This is demonstrated by the majority of the Alberta nonprofit organizations that reported a revenue decrease from sales or fees over the course of the pandemic in the 2020 Alberta Nonprofit Survey. About one-half of Calgarians report their mental health has worsened, and more than one quarter of Calgarians are seeking out social support services, which they didn't access before. The need for affordable housing continues to grow.

The diverse impacts of COVID-19 on population groups has raised the call for equitable approaches for municipal investment and service delivery. The City has a shared responsibility with other governments and the community for social outcomes, and this puts pressure on The City's capacity to respond to the diverse needs of Calgarians for preventative social programs. The COVID relief fund provided through the Community Sustainability Reserve and federal funding received through the Rapid Housing Initiative will continue to support the additional and immediate needs in the community into 2021. This contributes to the decrease in likelihood for the Social Impact Risk.

#### **In response**

The City will continue to work together with the government, partners and support the nonprofit sector to implement programs to address social needs. Key strategies include:



- Working together with the province to coordinate COVID-19 response efforts with partner organizations.
- Implementing the Calgary’s Mental Health and Addiction Strategy that was approved by Council in March 2021.
- Working with Calgary Police Services to implement The Community Safety Investment Framework (CSIF) to transform Calgary’s crisis response system to improve the wellbeing of Calgarians through an equitable and effective crisis response system.
- Advocating for sustained funding for social programs and greater investment in Calgary through the Intergovernmental and Corporate Strategy division and FCSS Alberta.

**Part 4: Capital Risks**

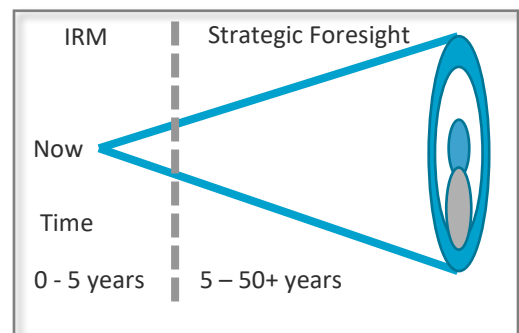
The City remains optimistic about its ability to deliver the capital portfolio approved in the One Calgary Service Plans and Budgets. While some challenges remain (i.e. contractual, cost of commodities, access to human capital and materials), The City is working to address these to maintain minimal impact on project delivery.

Infrastructure Calgary is monitoring the risks, issues, impacts and status of capital investments as a result of the 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: What’s on the horizon for The City of Calgary?**

Since the onset of COVID-19, we’ve been intentionally looking to the future to make sense of today’s reality. To complement our traditional integrated risk management activities, we have been using Strategic Foresight practices which includes looking at trends and critical uncertainties. By understanding trends and critical uncertainties, we are better positioned to identify emerging risks and to update our risk response strategies. This is particularly useful to inform The City’s Principal Corporate Risks. Trends and critical uncertainties are also applicable to City services and could be used to inform the Service Risk Register (SRR) review process.

Examples of trends and critical uncertainties include: the future of remote work, changing business models, vacancies in downtown buildings, changing commuter habits and consumer behaviours, social unrest and protests, partnerships, current and future mental health impacts, transit ridership and how we move and interact. These were included in our mid-year and year-end analysis and we concluded that monitoring trends and critical uncertainties is an important part of the corporate risk review process.



For this Mid-year Principal Corporate Risk Report, we’ve included the new trends and critical uncertainties from the recently updated Future Focused Trends List (2021 May) and analyzed how they could impact several of The City’s Principal Corporate Risks. We’ve selected four risks that we think could be impacted by these new trends to demonstrate the value of assessing trends as part of the Corporate Risk Review process. Our initial analysis is as follows:

Operations Process Risk – Coming out of COVID-19, citizen expectations for City services may change, causing us to reconsider how we prioritize and deliver services. New trends include:

- *City on Demand*: Online service delivery has increased along with investments in digital infrastructure that may result in increased demand for city-based digital services as well as personalized city services (e.g. opt in to waste and recycling).
- *Nature is King*: There has been an increased focus on quality of life and access to nature as a human right. This may result in greater valuation of ecosystem services, monetary value assigned to natural assets as well as greater focus on natural city infrastructure.

Reputational Risk – Citizen trust and confidence in municipal government continues to evolve and may impact how we engage and communicate. New trends to consider include:

- *Government & Expert Distrust*: The rise of conspiracy theories and misinformation along with the devaluing of scientific analysis and data may result in decentralized services and a decreased ability for Council to make decisions.

Social Impact Risk – A new social landscape could emerge to address citizen expectations for diversity, inclusion and equity which will impact our policies, strategies and partnerships. New trends to consider include:

- *Decline of Charitable Sector*: Reduction in charitable donations as well as declining trust in charities after the WE scandal may leave a gap in citizen services and result in an increased demand for City services.
- *All for All*: Addressing population health, climate change, and social, cultural and racial equality through grassroots and multi-government strategies may result in a new social landscape and new norms.

Economic Risk – Understanding how future trends may shape Calgary's future informs our business investments, workforce strategies and infrastructure projects. New trends to consider include:

- *Digital Economy Shift*: Calgary's economy may shift from manufacturing to digital services and goods with impacts to municipal taxes, policies and bylaws. Rise of new businesses, entrepreneurship opportunities, side hustles and increased competition for tech talent may mean an evolving economy in Calgary.
- *Deglobalization + Local Supply Chains*: Global supply chain disruptions and lack of local manufacturing capabilities may result in local supply chains as well as inflation due to higher production costs.
- *Immigration Gap*: Slower immigration rates due to COVID-19 restrictions may lower population growth in Calgary.
- *Work from Anywhere*: Due to long-term remote work policies, work may occur anywhere, with virtual and geographically distributed teams.

## **Supporting the use of Trends and Critical Uncertainties Going Forward**

There is value in reviewing and understanding trends and critical uncertainties as part of the Corporate Risk Review process. This leaves us better positioned to identify emerging risks and



to update our risk response strategies. This also informs The City's Principal Corporate Risks as well as service risks as part of the Service Risk Register (SRR) review process.

To support City Services to understand how trends and critical uncertainties can be used as part of the SRR review, we conducted a pilot at the Spring Corporate Risk Network workshop (2021 June 23). Based on workshop outputs and feedback from participants, we will consider how trends and critical uncertainties can be included in the fall risk review as well as planning for the next cycle of service plans and budgets.