

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

EXECUTIVE SUMMARY

Community associations and social recreation groups work in partnership with The City of Calgary to meet community recreational and social needs. Long-term sustainability of partner organizations allows needed programs and services to continue to be available to community residents. Sustainability of an organization depends on a number of factors including the ability to provide relevant programs to residents and members, to retain an active and skilled board, and to identify and mitigate any financial risks.

This report provides an annual financial review and compliance status for community associations and social recreation groups with a Lease or License of Occupation on City-owned land. Ratings take into consideration risks posed by financial and governance practices, and the scale of amenities or facilities managed by the groups. This year, business plans and lifecycle studies have been added as compliance requirements. Overall the review described here identifies that the majority of organizations are financially and organizationally stable, and successfully managing their programs and facilities. Organizations who are financially at risk are identified early in Administration's review process and immediate steps are taken to improve the organization's sustainability.

ADMINISTRATION RECOMMENDATION

That Audit Committee recommends that Council:

1. Receive this report for information;
2. Direct that this report and Attachment 1 remain confidential under section 24(1)(b) for the duration of the in camera meeting and be made public upon Council's rise and report; and
3. Direct that Attachments 2, 3, and 4, of this report remain confidential under Sections 23(1) (b), 24(1) (a), 24(1) (b), and 16(1) of the Freedom of Information and Protection of Privacy Act (Alberta) until such time as the third parties agree to release the information.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2015 NOVEMBER 12:

That Council:

1. Receive this report for information;
2. Direct that this report and Attachment 1 remain confidential under Section 24(1)(b) of the *Freedom of Information and Protection of Privacy Act* (Alberta) for the duration of the In Camera meeting and be made public upon Council's rise and report; and
3. Direct that Attachments 2, 3, and 4 of this report remain confidential under Sections 16(1), 23(1) (b), 24(1) (a) and (b) of the *Freedom of Information and Protection of Privacy Act* (Alberta), until such time as the third parties agree to release the information.

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

PREVIOUS COUNCIL DIRECTION / POLICY

On 1994 January 31, Council approved NM94-03 Facilities on City-owned Lands, directing Administration to acquire and review, in a timely manner, current and reliable financial statements for organizations operating not-for-profit facilities on City-owned land, and report annually to Audit Committee the results of the reviews.

On 2003 December 18, Audit Committee approved AC2003-68 Financial Status of Organizations on City-owned Land, directing Administration to expand the report to include information on insurance, lease status and lease payment.

On 2006 January 19, Audit Committee approved AC2006-02 Status of Community Associations and Social-Recreation Organizations on City of Calgary-owned Land, directing Administration to expand the report to include all third-party organizations with facilities on City-owned land that Community Services liaises with, and include financial exposure as it relates to an evaluation of liabilities exceeding assets available to satisfy these liabilities.

On 2012 February 27, Council approved CPS2012-03 including policy CSPS2011 Lease/License of Occupation to Community Organizations. This policy requires submission of a board-approved business plan, as well as a lifecycle study, within one year of the commencement of the lease or license of occupation.

On 2012 June 21, through AC2012-0371, Council directed Administration to prepare a separate annual report to Audit Committee of all Civic Partners that will identify risk to The City, effective the third quarter of 2013 annually.

On 2014 June 19, Council approved AC2014-0432 Status of Third Party Organizations Operating Not-For-Profit Facilities on Land Owned by The City of Calgary, receiving the report for information and directing that Attachments 2 and 4 remain confidential under Sections 23(1)(b), 24(1)(a), 24(1)(g) and 25 (b)(c)(ii) of the *Freedom of Information and Protection of Privacy Act* (Alberta) until such time as six years from this date.

BACKGROUND

In 2014, The City of Calgary has entered into a lease or licence of occupation with 183 community associations and social recreation organizations which provide social, recreation and community programs that are valued by all Calgarians. Administration annually conducts financial reviews of these organizations, which serves four purposes:

1. Identifying trends within the sector;
2. Providing a snapshot of the general health of community partners;
3. Assessing The City's risk by proactively identifying groups struggling to maintain their organization and/or facility; and
4. Identifying and implementing a risk management plan to support these organizations.

Community associations and social recreation organizations on City-owned land are required by their agreements with The City to provide signed copies of their financial statements within 30

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

days of the annual general meeting of the organization. Statements are reviewed and rated as good, satisfactory, marginal or organization of concern. In cases where critical financial information is missing or comparative data is presented in a way that does not allow for proper analysis, the group's statement is rated "insufficient". Attachment 1 provides definitions of each rating.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Overall, the majority of organizations are financially and organizationally stable, and successfully managing their programs and facilities.

Overall findings and a summary of ratings, by ward, for all 183 organizations currently operating on City-owned land is provided in Attachment 2.

Trends:

Lifecycle Maintenance

Lifecycle maintenance of amenities continues to be an area of concern for many partner organizations. Due to the age of most facilities, even basic repairs can become quite complex requiring greater expertise and funding than was required in the past. Administration is exploring various ways in which The City can better support organizations in this area, such as providing technical or engineering expertise before projects are undertaken. The Capital Conservation Grant is the primary funding source for maintenance and is vital for the continued operation of many facilities.

Financial Controls

Financial controls are another area with which these organizations can struggle. A number of groups do not regularly review financial statements and budgets at board meetings. As volunteers frequently change on community organization boards, new training on financial controls is frequently required. Liaison staff in conjunction with the Federation of Calgary Communities will continue to provide education and advocate for the use of good financial practices and reporting.

Alberta Gaming and Liquor Commission (AGLC)

Stricter controls from the Alberta Gaming and Liquor Commission appear to be a less prevalent issue than previous years, as many groups are receiving the education they need through the Federation of Calgary Communities to spend funds appropriately. While the change in interpretation and monitoring of the AGLC guidelines has been a burden, this year it has had minimal impact on the rating status of community associations. However some groups, who are not members of the Federation of Calgary Communities and therefore do not access applicable training sessions, continue to struggle. In an effort to mitigate this, Administration will offer a special education session on AGLC and related accounting for these groups, in partnership with the Federation of Calgary Communities, later this year.

Early Intervention

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

Administration has also initiated an early intervention strategy when it is suspected that a group may be experiencing difficulties. Liaisons are familiar with the struggles boards face as they attend board meetings, and maintain an ongoing relationship with the groups. Liaisons are able to identify when a struggle is becoming chronic, and when the group may need extra support. Administration recently expanded the type of supports available. When The City declares it is appropriate, a third-party consultant in the areas of finance, revenue generation, or conflict mediation is engaged. This year a Certified General Accountant (CGA) has been utilized with two organizations. In both cases the CGA completed a financial sustainability report which included strategies for improving financial policies and controls, as well as investigating new sources of programming and funding. Community & Neighbourhood Services (CNS) is starting to work with community associations to conduct resident engagement which will allow groups to ensure they are offering programs that are relevant to residents, and therefore generate greater revenue.

Stakeholder Engagement, Research and Communication

City liaisons work with community organizations on a daily basis to determine their needs and assist them with the diverse issues they encounter every day. Liaisons provide education and broker other resources to communicate best practices. CNS encourages community associations to fully engage residents, through programs such as, "This is My Neighbourhood," to ensure programs and services being offered by the organization are valued by residents.

Strategic Alignment

The recommendations in this report align with Action Plan 2015-2018's Council Priority: A City of Inspiring Neighbourhoods, and Strategic Action: Great Neighbourhoods. Key focus area N4 specifically outlines the need to revitalize the role and ability of community associations, and use of community facilities. This focus area states The City will also work with community associations and social recreation groups to support them in engaging residents and developing business plans that respond to community needs.

Social, Environmental, Economic (External) Social

Community associations and social recreation organizations create gathering spaces that foster inspiring neighbourhoods. By supporting these organizations and positioning facilities as community assets, Administration fosters a vibrant city with strong and inclusive neighbourhoods where citizens are empowered, connected and involved in healthy, active and creative lifestyles.

Environmental

Good stewardship of City-owned land, facilities and amenities minimizes the impact on the environment. Community associations and social recreation groups integrate energy efficiency and conservation into their lifecycle studies. The Capital Conservation Grant process supports alignment with the Sustainable Building Policy.

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

Economic

Administration encourages partners to examine new fiscal opportunities and work towards sound governance and fiscal practices. The annual financial review and compliance status process facilitates improved financial viability and sustainable governance.

Financial Capacity

Current and Future Operating Budget:

There are no implications at this time as a result of this report.

Current and Future Capital Budget:

There are no implications at this time as a result of this report.

Risk Assessment

Should any community association or social recreation organization on City-owned land default or cease operations, the amenity would be returned to The City. Typically in these situations, a new tenant that aligns with the land-use designation and meets community needs will be selected through an expression of interest process.

In cases where an amenity has deteriorated and requires extensive repair, The City may have to invest significant dollars for repairs. This is typically only considered when a facility is providing programs to a large number of Calgarians or when a safety issue is present that may result in facility closure. To mitigate these risks, CNS reviews the lifecycle plans for each amenity and provides funding through the Capital Conservation Grant Program.

REASON FOR RECOMMENDATION:

The annual review of community associations and social recreation organizations on City-owned land highlights risks, enhances accountability and provides an opportunity for Council to understand the current state and challenges of community associations and social recreation organizations that steward City-owned land.

ATTACHMENTS

1. Definitions of Rating Terms
2. Overall Findings and Compliance Status
3. Non-Compliance Items and Group with Agreements in Overhold
4. Mitigation Strategies for Organizations of Concern