

**Community Services Report to
Audit Committee
2022 April 21**

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AC2022-0387
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2021 Civic Partner Audit Report

RECOMMENDATION(S):

That the Audit Committee recommend that Council:

1. Receive this report for the Corporate Record; and
2. Direct that Attachments 3, 5 and 6 remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences), and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act* (Alberta), to be reviewed 2026 October 22.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2022 APRIL 21:

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HIGHLIGHTS

- The Civic Partner Audit Report presents the results of an annual financial review that evaluates The City's exposure to third party-risk based on Civic Partners' audited financial statements and assigns a rating of low risk, elevated risk, or high risk.
- The review process is one component of a larger accountability framework that assesses the overall financial and organizational health of Civic Partners as set out in Council's *Investing in Partnerships Policy*. Together, this report and the Civic Partner Annual Report (coming forward to the Community Development Committee on 2022 May 26) provide a snapshot of Civic Partner financial health and operations in 2021.
- What does this mean to Calgarians? The City invests significant operating and capital funding in Civic Partner organizations, and they manage and operate valuable City-owned assets. The financial review process helps identify The City's potential financial exposure and risks, enhances accountability for partners, and provides an opportunity to understand the current state of Civic Partner operations.
- Why does this matter? Reviewing a partner's financial health, risk management and governance practices reduces The City's exposure to third party risks that are inherent in partnering. It also provides an opportunity to assess and address organizational practices and sustainability.
- Based on 2021 audited financials, the majority of Civic Partners were rated as low risk. Administration is working with the remaining partners: three rated as elevated risk and three rated as high risk to confirm mitigation strategies are in place and provide support where appropriate.
- To provide insight into organizational health, a summary of key governance and risk management practices is included in this report based on detailed self-reported information from each Civic Partner (Attachment 6, confidential).

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- Risks most frequently reported by Civic Partners included financial risk, including the ongoing impact of COVID-19 on financial health; talent attraction and retention; and risks related managing assets and infrastructure.
- Detailed self-reported information about governance practices indicates that Partners continue to grow and evolve their approach to addressing anti-racism; and equity, diversity and inclusion.
- In 2021 May, Council adopted the recommendations in AC2021-0557 Civic Partner Audit Report
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

By partnering with external organizations, The City benefits from partners' knowledge and expertise, and their ability to leverage and multiply The City's investment to meet the needs of Calgarians. Civic Partners manage and operate over \$865 million in City-owned assets (insured value), and in 2021, The City invested over \$115 million in operating funding, and \$20.4 million in capital funding.

This report is one component of a broader accountability framework in place to mitigate risks related to partnering. Following direction from Council, Administration has brought forward a Civic Partner Audit Report every year since 2013.

The annual financial review process evaluates The City's exposure to risk related to Civic Partners, assesses the overall financial health of these organizations, and provides an opportunity to work with partners as needed to improve their financial health. The process uses a tool with clearly established criteria and ratios to evaluate operating cash on hand, working capital/cash expenses, deficit level, and reserves, among other items. The same process and tool are used to review Community Associations and Social Recreation Groups with a Lease or License of Occupation.

Based on established criteria, each Civic Partner is assigned a rating of low risk, elevated risk, or high risk (definitions are included in Attachment 2). Based on 2021 audited financials, the majority of Civic Partners are financially stable with twenty-three rated as low risk, three rated as elevated risk, and three rated as high risk. Ratings for all Civic Partners reviewed are included in Attachment 3 (confidential). The 2021 ratings have a similar overall risk profile as previous years, with a small increase in the number of partners rated as high risk. While the reasons for partners to be rated as elevated or high risk vary, in general they are related to the financial impact of COVID-19 on partner operations in 2020 and 2021, and for some, longer-term challenges that have contributed to similar ratings in previous years.

When a Civic Partner is rated as elevated or high risk during the financial review process, Administration works with them to identify mitigation strategies that can improve the organization's financial health, and reduce The City's exposure to risk. Attachment 5 (confidential) provides a summary of risk mitigation strategies for the organizations rated as elevated and high risk.

To mitigate risk for Civic and Community Partners in 2020 and 2021, The City offered access to an Emergency Resiliency Fund (ERF) grant program (Attachment 4). The purpose of the ERF was to help partners continue to serve Calgarians during the response phase of the pandemic, and to support partner capacity to contribute to Calgary's social, economic, and cultural post-

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pandemic recovery. Most, but not all, partners also accessed federal and provincial grant programs in 2021 including wage subsidies and pandemic recovery programs to offset revenue impacts. Without access to these grants, almost all partners would have significant impacts to their financial health and sustainability.

Detailed, self-reported information from Civic Partners is included in Attachment 6 (confidential), including information about board governance; talent management including compensation and evaluation; risk management; anti-racism; diversity, equity and inclusion practices; among other areas. The following are some highlights reported by partners:

Civic Partner organizations have a range of **risk management practices** in place to effectively manage their operations. Each organization engages their board in this work and has a risk matrix or similar tool to monitor and manage risk. While top strategic risks reported by partners varied depending on the nature of their operations, the most commonly reported risks included:

- **Financial risk, including the impact of COVID-19 on operations.** In 2021, partners continued to experience impacts related to lower attendance, participation, ticket sales, events, catering, and program participants. Partners mitigated this risk by accessing COVID-related subsidies and grants where available, including The City's Emergency Resiliency Fund (ERF) program. However, not all partners were eligible for these programs, including City of Calgary wholly owned subsidiaries such as the Calgary Convention Centre Authority.
- Risks related to **talent attraction and retention** were frequently reported, both in terms of key staff and board roles. Some partners report turnover of staff with specialized skills and experience that are hard to replace, and efforts to mitigate risk by offering development opportunities and other incentives to support growth of staff within their own operations.
- **Assets and infrastructure risks.** Asset-related risks varied due to the range of City-owned assets Civic Partners manage and operate. The most common type of risk was related to operating and maintaining aging assets that require ongoing lifecycle maintenance investments, and the related impact on the organization. Partners also pointed to risks related to ongoing capital projects and the impact on operations.

Based on self-reported information from Civic Partners (Attachment 6), partners' **governance practices** continue to evolve. Civic Partner organizations are arms-length, separate entities from The City. In addition to their accountability to The City, they are accountable to their boards of directors and a broad range of stakeholders including patrons and customers, partners, members and funders. Strong governance practices can help ensure an organization is sustainable and manages risk appropriately.

In 2021, Civic Partners continued to evolve how they addressed anti-racism, and equity, diversity and inclusion (EDI). As detailed in Attachment 6, Partners adjusted human resource practices to diversify their workforces, and used employee surveys, committees and other tools to assess gaps. Many reported engaging consultants with specialization in EDI, adopting new EDI specific policies, and assessing how existing policies can better address EDI and anti-racism, including respect in the workplace and recruitment policies. Partners embedded EDI into strategic plans, business plans, scorecards, outcomes and KPIs, and public commitment statements. They established committees focused on EDI, both at the board and staff level, held townhalls and other public sessions, made public commitments and statements, and offered training for staff and board on anti-racism, EDI, unconscious bias, and Indigenous reconciliation.

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Full self-reported details about partner governance practices are included in Attachment 6. Additional information about Civic Partner operations will be included in the *Civic Partner Annual Report* to the Community Development Committee on 2022 May 26.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

As part of the review process, Administration communicates with each partner to inform them of their rating and discuss issues and risk mitigation as required. Civic Partners self-reported their governance and risk management practices (Attachment 6).

IMPLICATIONS

Social

Many Civic Partners support implementation of the *Enough for All 2.0* poverty reduction strategy, and provide valuable recreation, sport and cultural opportunities for Calgarians in alignment with The City's *Sport for Life* Policy, and a *Cultural Plan for Calgary*. They foster healthy physical and social environments, enrich the social fabric of Calgary, and support a high quality of life.

Environmental

Through the Civic Partner Asset Management Program and internal organizational programs, Civic Partners continue to review and adjust their operational practices to reduce consumption of resources and their ecological footprint. They promote conservation, environmental stewardship and community sustainability strategies including public education and awareness related to public spaces and natural resources.

Economic

Guided by *Calgary in the New Economy: An economic strategy for Calgary*, the Council-approved economic strategy stewarded by Calgary Economic Development, many Civic Partners contribute to economic development in Calgary through related strategies and activities including the *Enough for All* poverty reduction strategy, *Destination Strategy*, *Living a Creative Life*, cultural attractions, and convention centre services. The City's allocation of operating and capital funding to Civic Partner operations are strategic investments that create a diverse range of facilities and programs for Calgarians and visitors to enjoy. The City's investments in Civic Partner operations are multiplied and leveraged by Civic Partners through resources and funding.

Service and Financial Implications

Existing operating funding - base

\$115,473,748

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Existing capital funding - base

\$20,481,196

2021 base operating grant funding for Civic Partners included in One Calgary contributes to partners' capacity to extend and compliment The City's service delivery under eight lines of service: Economic Development and Tourism, Library Services, Arts and Culture, Affordable Housing, Community Strategies, Parks and Open Spaces, City Planning and Policy, and Recreation Opportunities. Civic Partner capital funding programs provided through programs such as the *Civic Partner Infrastructure Grant* support the maintenance and lifecycle work required to support high-functioning City-owned assets managed and operated by partners. Additional one-time funds provided to partners are not included in the above number, for example, one-time Emergency Resiliency Fund grants provided in 2021.

RISK

Third-party risks associated with partnering may include those related to reputation, finances, infrastructure management, operations, among others. The most significant risks are associated with any circumstance in which a third-party organization operating a City-owned facility defaults or ceases operations. In these cases, responsibility for the building's capital costs to ensure building safety for a new tenant or the public may fall on The City. Depending on the circumstances, the operating costs of the facility may also be The City's responsibility and Calgarians would be negatively impacted by a loss or decrease in programs and/or services. Administration works closely with its Civic Partners to develop and implement strategies to mitigate risks and this report is a key tool for monitoring and reporting on risk.

ATTACHMENT(S)

1. Previous Council Direction
2. Definition of Rating Terms
3. Civic Partner 2021 Audit Ratings (Confidential)
4. Civic Partner Grant Funding 2019-2022
5. Civic Partner Risk Mitigation Strategies (Confidential)
6. Self-Reported Governance and Risk Management Information (Confidential)

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform