



**DISCOVER THE
ANSWERS AT THE
CENTRE OF ENERGY**

**CALGARY CONVENTION
CENTRE AUTHORITY**

**2015 AUDIT GOVERNANCE
STATUS OVERVIEW**

Mandate and Responsibilities:

To manage, market and operate the Calgary TELUS Convention Centre in an efficient and market-competitive manner in order to maximize overall economic benefits to the City of Calgary while maintaining financial performance within an acceptable range.

The Calgary TELUS Convention Centre is owned by the City of Calgary. It is operated by the Calgary Convention Centre Authority (CCCA), which 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 provides maintenance and repairs to the retail spaces which are 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 gives the exclusive rights to all food and beverage services in the CTCC to the attached hotel (currently the Calgary Marriott). The CCCA has a contractual agreement with the Calgary Hotel Association whereby the CCCA manages destination sales and marketing services for the meetings, conventions and incentive travel sector. Through a joint agreement among the City, the CCCA and TELUS, the CCCA manages the TELUS Naming and Business Rights contract.

The Calgary TELUS Convention Centre takes great pride in providing a market competitive building product designed to maximize utilization and revenue generation while supporting operating efficiencies. The CTCC is committed to a long term, proactive 10-year capital plan process that incorporates and addresses growth to ensure life safety and longevity of the building and equipment at the CTCC.

We saw an increase in direct spend from \$11M in 2014 to \$13.9M in 2015 as a direct result of more US delegates attending events at the Centre (614 delegates in 2014, 3,026 in 2015).

Over and above the economic impact, the Centre is an economic driver by;

- building Calgary's presence on national and international stages
- acting as a knowledge centre and arena for networking and education and
- operating as a hub for community activities

Governance Structure, Succession Planning and Recruitment Process:

Previous Council Direction/Policy

On 2013 November 18, at a Combined Meeting of Council, Council approved a series of Audit Committee recommendations contained in report 'AC2013-0654 Calgary Convention Centre Authority Governance Framework Audit.' Recommendations included:

1. That Council improves the governance framework between Council and the Authority by directing Administration to work with the Authority to: a) Establish and clearly define accountabilities with respect to specific outcomes, and roles and responsibilities. The ten principles outlined in the Framework of Principles for Governance Relationships with the City's wholly owned subsidiaries and current governance initiatives such as the Corporate Secretariat (e.g. model documents) should be considered; and b) Update the Operating Agreement accordingly;

2. Council direct Administration to improve the effectiveness of Council's oversight of the Authority by working with the Authority to: a) Review current reporting processes that support Council's oversight taking into account the observations in this report; b) Determine the appropriate process/processes for the Authority; c) Ensure that reporting processes include performance requirements, actual performance against goals, and information on the stewardship of The City's assets; and d) Consider streamlining reporting processes by excluding the Authority from Civic Partner reporting and continuing to report annually to Audit Committee; and

3. Council direct Administration to work with the Authority to improve board recruiting and vetting by obtaining Council approval to remove Authority vacancies from the Boards, Commissions and Committees advertisement and the regular appointment process of Council's Organizational Meeting and develop a robust recruiting and vetting process to bring forward candidates to Council.

In 2015 October, the Authority adopted a strategic candidate recruitment process to strengthen its governance model and ensure members have the experience and skills needed to guide the organization through a complex operating environment. On November 12, 2015, the Calgary Convention Centre Authority, through its Governance and Human Resources Committee, retained Conroy Ross to provide advice and guidance on the recruitment for 3 new board directors. There were 114 applications received and 22 pre-qualified candidates were interviewed, resulting in three highly skilled and experienced individuals being presented to Council for approval. City Council approved the selection of 3 new Board members in March 2016.

With regard to senior management a new succession plan for the General Manager position was approved by the Board in November 2015. In 2016, the Board will be focused on recruiting a new General Manager for the Convention Centre, utilizing an executive Search firm. This new General Manager is expected to be hired by the end of September.

For other senior management the following applies;

1. Key positions are identified;
2. Knowledge and skill sets are identified;
3. Potential candidates are recognized through ongoing performance management processes;
4. Training & development, cross training, mentoring, vertical and horizontal job changes are provided on an ongoing basis;
5. External recruiting is done if required. Employees are encouraged to discuss career goals with supervisors and the HR Director.

While effort is made to assist employees to move into positions in which they have expressed interest, there is still an expectation that the individual, within reason, be prepared for the new role. Outside recruitment is also valued as a means of ensuring that new ideas and processes are introduced.

2016 Initiatives/Strategy:

The CTCC will continue to shift our business mix to the medium to small conventions. We will assess the potential of new revenue streams such as increasing participation in the Calgary Champion Program, enhancing partnerships, and developing a strategic approach to the corporate market and industry sectors.

The Calgary Champion program (Ambassador program) works with educational institutions, like the University of Calgary, local businesses and international associations to bring conventions to the city.

An example of our program is the International Society for Prevention of Child Abuse and Neglect (ISPCAN). The CTCC worked with the Faculty of Social Work at the University of Calgary for over 7 years to bring the convention to Calgary. A key selling point in winning the bid was the fact that the city is known worldwide for innovation in the social work world. Over 1,500 delegates will attend the

convention in August, 2016. The Faculty of Social Work is confident the event will be so successful that they plan to bid for another congress for 2020.

To date we have 51 potential Ambassadors in the pipeline. In 2014 there were 4 Champions recognized for conventions that have taken place and in 2015 there were 2. Recognition involves a dinner, award and name installed on our Wall of Champions.

With our partners we will support and participate in opportunities that benefit the city of Calgary. (Calgary Economic Development 10-year strategy, Calgary Awareness Branding, Soul of the City).

We have consistently provided support to local nonprofit organizations and will continue by providing a "charitable" rate (25% discount) to use the facility. This strengthens our presence as a proactive community supporter. In 2014 we assisted 5 major nonprofits and in 2015 we hosted 6 high-end social events.

Our CTCC sales team will continue to aggressively secure groups in our key markets and research new opportunities in the SMERF market. While not typically the norm, we are seeing that with the SMERF (Social, Military, Educational, Religious, and Fraternal) market there are opportunities to be explored.

In 2016 there are 273 events in the system: 242 confirmed and 31 tentative. In 2017 there are 97 events in the system: 28 confirmed, 69 tentative.

Meetings and Conventions Calgary has produced 63,386 definite room nights for 2016 which is 189% above our annual pace target. So far for 2017, 28,597 definite room nights have been confirmed 139% ahead of pace, with 24,189 tentative room nights still in the sales funnel. Due to the fall off of business travel and subsequent deficiency in room bookings for the Calgary Hotel Association members, Meetings and Conventions Calgary is initiating participation, in partnership with Travel Alberta, in some new trade events in an attempt to generate short term room night leads.

Through Meetings + Conventions Calgary we will continue to initiate sales and marketing efforts in our key markets with our partners Travel Alberta and Calgary Stampede. These include plans to strengthen our US presence with support from industry associations like MPI and PCMA.

Marketing efforts will shift to more content based initiatives, which have a larger reach, and will continue with showcasing the Centre as a forum for intellectual knowledge transfer (Intellectual Capital).

Key Operating + Strategic Risks Including Trends and Risk Management Plans and Processes:

The Calgary TELUS Convention Centre continues the practice of safeguarding its assets by identifying the risks to which they are exposed. Key risk trends that affect our industry include reduced business levels, technology advances and migration, cyber-attacks and malware, harmonization of client/event demands with safety and regulatory requirements, and acts of violence and/or terrorism, which, in some cases, may be attributable to the nature and types of events hosted in our facility. As risk management facilitators, the CTCC risk management team is responsible for overseeing the Centre's risk management plan and ensuring ongoing review of risks and submitting updates as needed. It also assists business units in business continuity planning to ensure that key CTCC services are maintained during major interruptions. Corporate Policy CP-004 is the guiding document that affirms CTCC's commitment to risk management.

The Risk Management Team is tasked with ensuring that:

- major risks faced by the CTCC are identified, prioritized, understood, and appropriately managed;
- risk management is integrated into CTCC's strategic business plan and consistently applied to the development and implementation of new systems, policies and future plans of the CTCC;
- the process includes CTCC-wide awareness of areas where risk management is needed;
- an environment exists where all CTCC staff assume responsibility for identifying and managing risk within their area with requisite management oversight and control;
- risk management awareness is included in orientation briefings for new staff and; management of risks is built into contracts, where applicable.

These objectives remain ongoing and are integral to a successful risk management program within the organization. All CTCC employees and its contractors are expected to contribute to minimizing risk, and it is the responsibility of directors and managers to promote risk awareness among their staff. They are to ensure that risk management controls and processes are included in the day-to-day operations and projects and shall, where applicable, identify any new risks.

Strategic risks are discussed on a regular basis at the board and committee meetings and the risk plan is approved by the Board annually.

The CTCC has a strong financial control environment which is based on appropriate risk assessment, and policies and procedures which provide a system of formal controls (i.e. purchasing, investment, expense claim reimbursement policies, and signing authority). There is ongoing monitoring of the business plan and budget. Financial statements are produced on a monthly basis and reviewed by the Chair of the Audit & Finance Committee. Quarterly financial statements are reviewed by the Audit & Finance Committee and the full Board. Financial statements are disbursed to the management team on a monthly basis, and are discussed at the regular management meetings. The accounting team lead has a professional designation. The team is well trained and all members have been cross trained in all functions. There is appropriate segregation of duties.

Top Three Risks to Impact City of Calgary/Audit Committee:

1. Deferred Maintenance:

The Calgary TELUS Convention Centre's south building was built in 1975 and the north building in 2000 at which time some of the south building was updated. The buildings have been well maintained over the years by the Calgary Convention Centre Authority. The asset detail report commissioned by the City of Calgary and prepared by VFA in 2014 shows that the deferred maintenance in the facility is .40 for the south building and .19 for the north building. Some of the critical projects identified at the time have since been undertaken. We are working with City officials to address funding needs for these necessary upgrades.

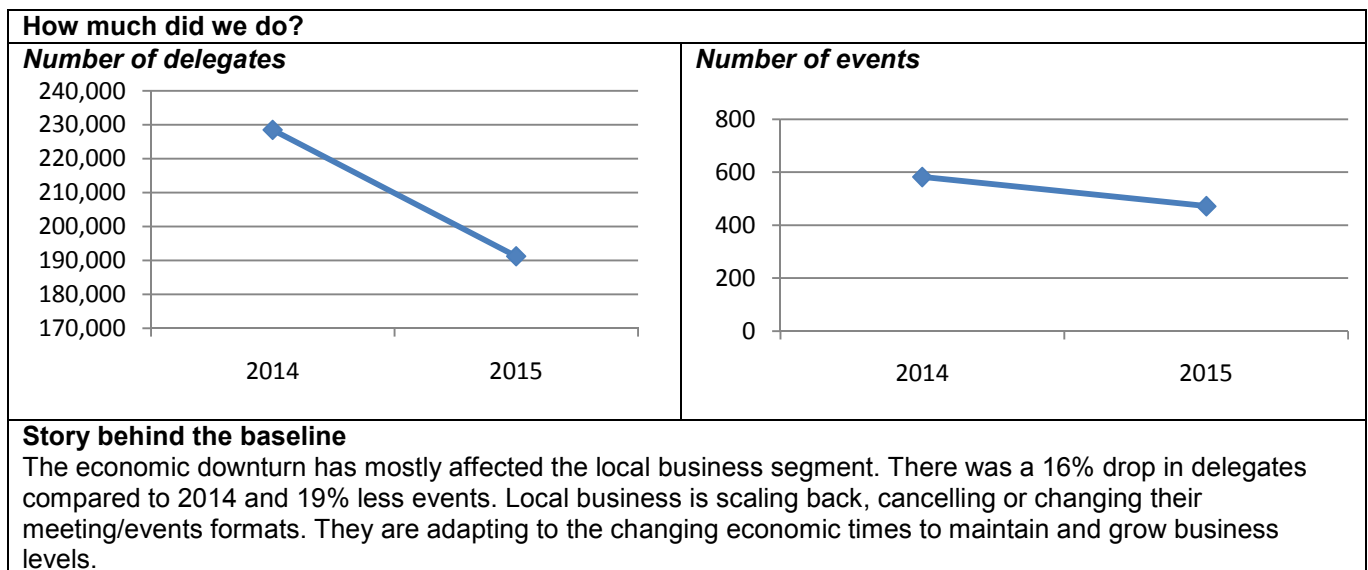
2. Decline of Economy:

The current economic situation resulted in significant loss of bookings in 2015 and is projected to continue in 2016. The CTCC has a mitigation strategy in place that focuses on medium and smaller pieces of business. Internationally we will continue to pursue this market segment as these groups tend to have a higher spend which has a direct impact on the facility and within the city as delegates tend to stay at a destination for pre and post days.

3. Decreased Event Activity:

Due to the current economic situation we have seen local bookings decline. In 2014 we had a total of 572 events (International 3, Local 542, National 15, Provincial 15, US 2). In 2015 our total number of events was 458 (International 3, Local 420, National 21, Provincial 11, US 3).

Performance Measure Highlights:



An overview of Internal Controls including Technology Systems at CTCC:

To counter cyber-threats and malicious intent from internal or external sources, the CTCC Information Technology Department has implemented several different pieces of hardware and software, along with procedures. From the end-user perspective, an acceptable use policy is reviewed during new employee orientation before being granted access to the network and technology resources. Users are also educated on acceptable technology use and threats to electronic devices, potential malware and viruses.

The database system is on a separate authentication system, so users cannot access the database without a separate, different password system than the Windows operating system login. Roles are assigned to different departments and users to ensure proper access and authentication is granted, both on the file server level and on the database server.

The infrastructure and disaster recovery plan has several layers of policy and procedure in place. These procedures are detailed in our Disaster Recovery Plan, which is a living document, continually modified when necessary changes occur.

We use a firewall in front of our administrative network, along with a constantly-updating antivirus engine that is monitored daily for changes and issues. Each computer client is updated via centralized server/policy that rolls out any new antivirus/malware definitions in the background, allowing the user to still work on their computer. Our desktop operating environments are updated on a monthly basis, more frequently if we see a major Microsoft security update. While Microsoft has good intentions, we wait at least one week in normal situations to test the patch or update as they have been known to break other pieces of software while fixing their security flaws.

Our server infrastructure is protected via several layers; our email is sent through a spam filter, which also stores emails for 2 months should the email server fail, and all servers are backed up nightly from disk to disk, then backed up again to tape the following day. These tapes are stored in a secure location in the North building, far away from the main server room in the South building. Our File Server is also configured using Shadow Copy, where 3 times a day, a snapshot of any changes to files is being made.

Security audits are performed with the help of a 3rd party consulting firm every 2 years. We have also used next generation firewalls as a test to view our threat profile and test for malicious attacks and threats to the CTCC IT infrastructure, and as a method to generate a proof of concept for future firewall equipment.

Summary of the 2015 External Auditor Report to the Calgary Convention Centre Authority:

The CCCA Audit + Finance Committee recommend to the Board to appoint Deloitte for the 2015 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;
- There were no corrected or uncorrected misstatements noted for the audit of the December 31, 2015 financial statements.

In 2009 the CCCA adopted the provisions of Section 3150 of the Public Sector Accounting Board handbook which requires governments to record and amortize their tangible capital assets on their financial statements.

At 2015 year-end a total of \$12,234,631 in assets was recorded on the CCCA statement of financial position. This amount has been capitalized as renovations, building enhancements and equipment.

Funding for the improvements is as follows;

Funded by:	2015 YTD
CTCC Operating Reserve	6,841,741
Major Replacement Reserve	2,310,229
CPRiP Funding	2,692,731
City of Calgary MSI	289,890
Federal Government Western Economic Diversification	100,040
Total	\$12,234,631

**Statement of Financial Operations and Accumulated Surplus – for year ended
December 31, 2015**

In 2015, the Authority incurred \$763,664 in expenditures for major capital additions, which have been capitalized as renovations, building enhancements and equipment. Of this amount, \$279,606 was funded by the Authority's operating reserve and \$151,327 was funded by the Authority's major replacement reserve. City of Calgary CPRiiPs fund provided a 50% matching grant of \$332,731. The Calgary TELUS Convention Centre also worked in conjunction with the City of Calgary to complete electrical upgrades for Glenbow Museum in the amount of \$144,213. This work was funded by the City of Calgary Municipal Sustainability Initiative Fund.

Results of Operations:

Our total revenue for the fiscal year 2015 was \$23,228,705 which included a City of Calgary grant of \$1,758,207. In addition, the Centre received \$2,468,000 from the Calgary Hotel Association which is restricted to supporting management of Meetings and Conventions Calgary. Total operating expenses were \$22,322,156 (before amortization). In 2015 \$295,233 in net income was sustained by the operating reserve fund.

Capital Expenditures to December 31, 2015

Additions	December 31, 2015
CTCC South Building Washroom Finishes	\$ 641,027
North Building Kitchen Room Floor	9,856
Building - Misc.	21,654
Security Equipment - Misc.	31,650
Communication Equipment - Misc.	18,156
Computers - Misc.	2,574
Housekeeping Equipment - Misc.	13,684
Office Equipment - Misc.	2,101
Software - Misc.	22,963
Total Additions	763,664
 Glenbow Electrical Upgrades	 144,213
 TOTAL ADDITIONS CTCC & GLENBOW IN 2015	 \$ 907,878