

## 2022 Civic Partner Audit Report

### RECOMMENDATION:

That the Audit Committee recommend that Council:

1. Receive this report for the Corporate Record; and
2. Direct that Attachments 3, 4 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, 2023 JUNE 15:

That Council:

1. Receive this report for the Corporate Record; and
2. Direct that Attachments 3, 4 and 6, and the Closed Meeting discussions be held 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.

## 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*. This report, combined with the Civic Partner Annual Report (CD2023-0402), provides a snapshot of Civic Partner financial health, governance and risk management.
- **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 audit report process helps identify The City's potential financial exposure and risks, enhances accountability for Civic Partners, and provides an opportunity to understand the current state of their 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 governance practices and engage in discussions about risk mitigation.
- Based on 2022 audited financials, the majority of Civic Partners were rated as low risk. Administration is working with the remaining partners rated as elevated 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.
- Background and Previous Council Direction is included as Attachment 1.

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### **DISCUSSION**

Through partnerships, 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. In 2022, The City invested over \$120 million in operating funding, over \$10 million in capital grants for lifecycle of City-owned assets and close to \$3 million for one-time capital projects.

Following direction from Council, Administration has brought forward a Civic Partner Audit Report every year since 2013. This report is one part of a broader accountability framework in place to mitigate risks related to partnering that also includes ongoing partnership management activities, adhering to agreements in place, and the Civic Partner Annual Report (CD2023-0402). The annual financial review process evaluates The City's exposure to risk related to Civic Partners, assesses partners' overall financial health, and provides an opportunity to work with partners as needed to understand how they are mitigating risks that impact their financial health. The review 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 2022 audited financials, the majority of Civic Partners are financially stable with twenty-three rated as low risk and six rated as elevated risk. No Civic Partners were rated as high risk. Ratings for all Civic Partners are included in Attachment 3 (confidential). 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 4).

To mitigate risk related to the impacts of COVID-19, The City offered an Emergency Resiliency Fund Grant Program from 2020 to 2022 (Attachment 5). This targeted funding helped partners continue to serve Calgarians during the pandemic by addressing funding gaps not covered through other programs and supported their capacity to contribute to Calgary's social, economic, and cultural recovery.

Civic Partner organizations are arms-length, separate entities from The City and in addition to their accountability to The City, they are accountable to their boards of directors, patrons and customers, partners, members, funders and others. This accountability, combined with strong governance practices helps ensure partners are sustainable and appropriately manage risk. Overall, Civic Partners continue to refine their governance practices to embed leading practices including recruitment based on matrices of key skills and experience and use of recruitment practices that support equity, diversity and inclusion; annual board evaluation processes; and annual review of board committee terms of reference.

In 2022, Civic Partners continued to evolve their **risk management practices** including the adoption of enterprise risk management processes, tools to monitor and manage risk, including heat maps, and for a few, rating their organization's risk maturity level. While top risks reported by partners for 2022 varied, the most commonly reported risks included:

- **Financial risk** driven by access to adequate levels of funding including government funding to help support escalating costs, erosion of corporate sponsorship opportunities and the significant impact of inflation on the cost of operations.

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- **Challenges attracting and retaining talent** with the required specialized skills and experience. Many partners mitigated this risk by focusing on a total rewards approach, showcasing the full benefits of their workplace including work-life balance initiatives, flexible work and hours, career advancement, and training and development opportunities.
- Various unique **operational risks** including risks related to competition from other providers and jurisdictions, barriers to accessing their programs or services, and risks of lower than projected attendance.

In 2022, Civic Partners continued to adapt how they addressed equity, diversity, inclusion and accessibility (EDIA). They launched employee committees and working groups to inform leaders' decisions, brought in third party consultants to conduct audits and provide training, and embedded EDIA into strategic plans, key performance indicators and public commitment statements. They engaged in ongoing learning and sought out certifications and experts.

Full self-reported details about partner governance practices are included in Attachment 6 (confidential). Additional information about Civic Partner operations is included in the Civic Partner Annual Report (CD2023-0402).

### EXTERNAL ENGAGEMENT AND COMMUNICATION

- |  |   |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken        | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required        |

As part of the review process, Administration communicates with each Civic Partner to inform them of their rating and discuss 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 the *Cultural Plan for Calgary*. They foster healthy physical and social environments, enrich the social fabric of Calgary and support a high quality of life by offering a diverse range of facilities and programs for Calgarians and visitors to enjoy.

#### Environmental

Through the Civic Partner Asset Management Program and internal partner programs, Civic Partners continue to 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.

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### **Economic**

Many Civic Partners contribute to economic development by supporting implementation of *Calgary in the New Economy: An economic strategy for Calgary* and related strategies including the *Enough for All* poverty reduction strategy, *Destination Strategy*, *Living a Creative Life* and by operating cultural attractions, and offering convention centre services.

### **Service and Financial Implications**

#### **Existing operating funding - base**

\$124,162,291

#### **Existing capital funding - one-time**

\$13,850,898

Base operating grant funding in 2022 supported Civic Partners to contribute to The City's delivery of eight lines of service: Affordable Housing, Arts and Culture, City Planning and Policy, Community Strategies, Economic Development and Tourism, Library Services, Parks and Open Spaces, and Recreation Opportunities. Civic Partner capital funding programs including the *Civic Partner Infrastructure Grant* supported the maintenance and lifecycle required to support high-functioning City-owned assets managed and operated by partners. Additional one-time funds provided to partners including the 2022 Emergency Resiliency Fund are not included in the above number.

### **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.

### **ATTACHMENTS**

1. Background and Previous Council Direction
2. Definition of Rating Terms
3. Civic Partner 2022 Audit Ratings (Confidential)
4. Civic Partner Risk Mitigation Strategies (Confidential)
5. Civic Partner Grant Funding 2020-2023
6. Self-Reported Governance and Risk Management Information (Confidential)
7. Presentation

**Community Services Report to  
Audit Committee  
2023 June 15**

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AC2023-0414  
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Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor, Acting Chief Financial Officer and General Manager	Corporate Planning and Financial Services	Inform