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Calgary Parking Authority Annual Report & Risk Management Processes

2015 May 21

Agenda

Introduction

- Governance structure
- Changes to leadership, regulatory or market
- 2015 Strategy and plans
- 2014/2015 Successes,
- 2015 Challenges

CPA Audit Committee

- Terms of reference and frequency of review
- Composition and relevant financial experience
- Workplan



Agenda continued

CPA

- Key mitigation frameworks
 - ✓ Internal control environment
 - ✓ Integrated risk management
- Key operating & strategic risks (risk register)
- External audit findings
- Financial highlights
- Summary



Governance Structure

- Governance Committee
- Strategic Asset Advisory Committee (SAAC)
- IP ParkPlus Committee
- Annual long-term strategic planning sessions (Board)
- Formal systematic frameworks (COSO, Integrated risk management)
- 10 year strategic plan and 4 year operating & capital plans aligned with budget



Changes



- Leadership – new GM started March 2, 2015
- Market changes – impact of downturn in economy (oil & gas sector)
- No recent regulatory changes
- Business approaches affirmed at April 2015 Strategic Retreat
 - Emphasis placed on increased Park Plus sales/marketing efforts, and
 - Increasing the pace of development opportunities



2015 Strategy and plans

- Marketing ParkPlus™
- Explore joint-ventures multi-use developments
- Impound Lot new facility
- Fixed cameras and LED lighting
- Flood mitigation installations
- Electronic enforcement ticketing
- Customer satisfaction survey
- Workplace of choice



2014/2015 Successes

- Contribution to The City of Calgary \$25M
- City Hall parkade online
- New customers
- Small businesses, BRZs
- Green initiatives
- Social responsibility
- Land deals
- Technology applications
- Employee enhancements
- Cubic Transportation system



2015 Challenges



- Marketing ParkPlus™
- Land deals
- Governance model
- Downturn in economy
- Impound Lot new facility cost escalation
- Image/reputation – price follower



CPA Audit Committee



Terms of Reference

- Reports to the CPA Board
- Comprised of three CPA Board Members
 - The City's Chief Financial Officer or designate is the chairman of the CPA Audit Committee
 - Two citizen members, one of which should be financially literate
- Meets at least quarterly
- Election to Audit Committee conducted annually
- Functions:
 - Oversee external auditor's services
 - Oversee the integrity of CPA's financial statements



Audit Committee members' bio



Eric Sawyer

- Chief Financial Officer at The City of Calgary
- Responsible for functions including Finance & Supply, Human Resources, Information Technology and Customer Service & Communications
- Finance functions includes multi-year planning, budgeting, reporting, treasury, taxation, regulatory affairs, long-term financial strategy, supply chain management and long-term financial strategy
- Serves on numerous boards and committees within The City; on CPA Board since 2004
- Bachelor of Commerce degree, MBA in finance from the University of Toronto



Audit Committee members' bio



Ginny MacDonald

- Vice President Corporate, Bow City Power Ltd, developing power generation in Alberta & President, MMCI Ltd., a business strategy, implementation and relations consultancy firm.
- Current boards - Bow City Power Ltd. & CPA Chair of Governance & Vice-Chair of Audit Committee, member of Strategic Asset Committee.
- Past Chairs - IP/ParkPlus and GM Search Committee and Long-term Strategic Committee.
- Core competencies – strategic context of fiscal policy & procedures, corporate management & strategy for financial assets, investments, liabilities, revenues & expenditures, corporate governance & risk management, market identification-penetration & development
- Member of the Institute of Corporate Directors
- BSC, MBA, ICD.D



Audit Committee members' bio



Lisha Hassanali

- Media Relations Officer, University of Calgary Schulich School of Engineering
- 10 years + broadcast journalism
- Communications & public relations specialist
- Advisor in community engagement, not-for-profit program management and fundraising
- Leadership Calgary program graduate



2015 Work Plan



QTR 1

- Terms of reference
- Workplan
- 2014 audited financial statements
- Results of annual audit
- Evaluate performance of external auditor

QTR 2

- Assess Internal control environment of CPA
- Annual governance status report to The City's Audit Committee

QTR 3

- Appointment/re-appointment of external auditor
- Assess risk management of CPA

QTR 4

- 2015 audit scope, plan and issue appointment letter
- Review any management letter points
- Identify areas requiring special attention



Internal Control Environment

Control Environment

- CPA's governance structure
- CPA Audit Committee Terms of Reference
- COSO framework-integrated formal system of internal controls
- Culture and operating practices
- Code of Conduct
- Policies promote values and behavioral standards
- Processes ensure adherence to procedures



The COSO Enterprise Risk Management Framework



Integrated Risk Management

- Key component of internal control at CPA
- Oversee the identification, assessment, and management of risk
- Formalized risk policy, a risk tolerance statement, risk parameters and a framework and risk register used by management to pro-actively manage risk





The Calgary Parking Authority Risk Register				AC2015-03 Attachment 4
(Impact-Likelihood)				(page 1 of 2)
Description of Risk	2015 Risk Rating	2014 Risk Rating	2013 Risk Rating	Functional Area
1 Cost escalation of new facility at the Impound Lot	H-H	H-L		Facilities & Operations
2 Higher operational costs of new facility at the Impound Lot	H-H			Facilities & Operations
3 IP ParkPlus marketing (new revenues)	H-M	M-H	H-H	Business Development
4 Loss of land holdings through integration or expropriation	H-M	H-M	H-M	Facilities & Operations
5 Property and business tax variance	M-H	M-H	H-L	Financial Services
6 Catastrophic infrastructure damage (i.e. flood)	H-L	H-L	H-M	Facilities & Operations
7 Structural failure in parkade - lifecycle not maintained	H-L	H-L	H-L	Facilities & Operations
8 Security breach of personal information	H-L	H-L	H-L	Information Technology
9 Loss or violation of electronic data	H-L	H-L	H-L	Information Technology
10 Tribunal process of challenging parking tickets	L-H			Enforcement
11 Disruption of computer services and network	M-M	H-M	H-M	Information Technology
12 On-street pricing policy	M-M	M-H		Facilities & Operations
13 Parking demand reduction	M-M	H-L	M-L	Facilities & Operations
14 No firm CPA governance model	M-M	M-L	M-H	GM Office & CPA Board
15 Loss revenues from special permits and exemptions	M-M	M-M	H-L	GM Office & The City of Calgary
16 Knowledge transfer for key positions	M-M	M-M		GM Office
17 Difficulty of finding qualified replacements for key leadership positions	M-M	M-M	H-M	GM Office
18 Vendor over-dependency	M-M	M-M	H-M	Information Technology & Enforcement
19 PCI (Payment Card Industry) standards compliance	H-L	H-L	H-L	Information Technology & Financial Services
20 Vendor pay machines hardware & software issues	M-L	H-L	H-M	Information Technology
21 Downloading of fees from the Province	M-L	M-L	M-L	Information Technology & Financial Services
22 IP ParkPlus patent	L-M	M-M	H-H	Business Development
Required Action:				
Management effort required to manage and monitor risks.				
Management effort worthwhile. Contingency-backup plan required.				
Risks may be worth accepting and monitoring				



External Audit Findings

- Deloitte & Touche issued CPA an unqualified audit report for 2014
- No weaknesses in internal controls were identified



Financial Statements

- Income statement
- Balance sheet
- Cash flow statement



Financial Highlights – Income Statement

(in \$000's)	<u>2014</u>	<u>2013</u>
Revenue	\$91,577	\$83,269
Expenditure	(55,723)	(55,922)
	<hr/>	
Net income/ (loss)	35,854	27,347

Note – All Financial Information is presented in IFRS format

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Financial Highlights – Balance Sheet

(in \$000's)	<u>2014</u>	<u>2013</u>
Current Assets	\$ 66,317	\$ 58,475
Long-term Assets	513,382	510,768
Total Assets	579,699	569,243
Current Liabilities	(7,894)	(11,211)
Long-term Liabilities	(12,005)	(10,116)
Total Liabilities	(19,899)	(21,327)
Retained Earnings	559,800	547,916
Unrealized Gain/(Loss)	3,206	2,128



Financial Highlights – Cash Flow Statement

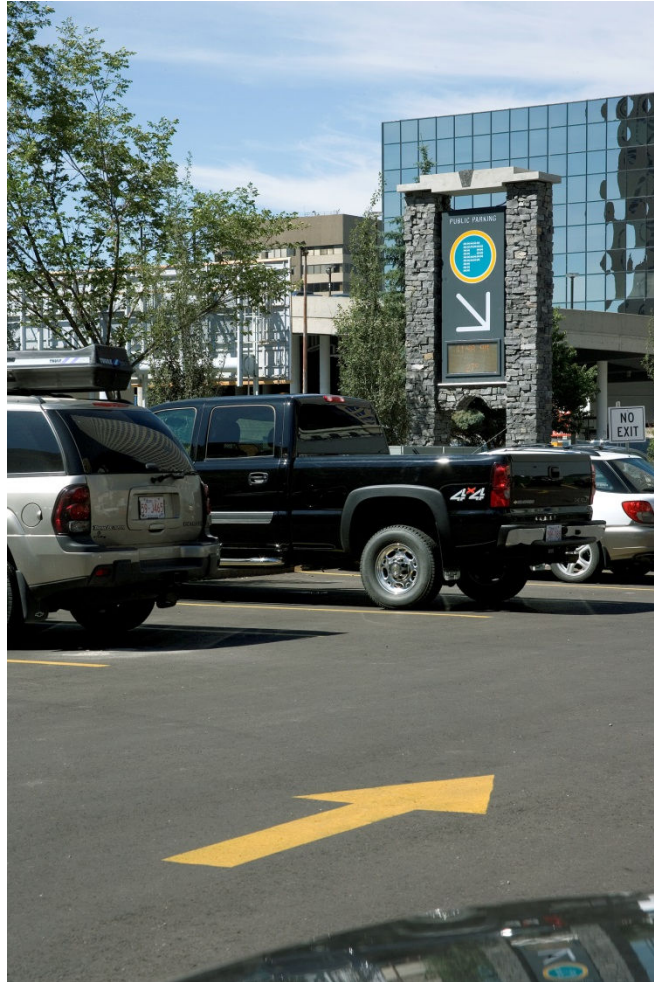
(in \$000's)	<u>2014</u>	<u>2013</u>
Net Income	\$ 35,854	\$ 27,347
Add back: non-cash items	11,659	19,428
Subtotal	47,513	46,775
Cash Disbursements:		
- Distribution to The City of Calgary	(25,048)	(21,821)
- Capital Expenditures	(10,592)	(10,641)
- Investments	(3,698)	(3,368)
- Debt repayment	(1,154)	(1,101)
- Proceeds from disposals & provisions	70	71
Subtotal	(40,422)	(36,860)
Net increase in cash	7,091	9,915
Cash, beginning of year	56,117	46,202
Cash, end of year	63,208	56,117



Summary

- Integrated risk management
- Internal controls
- Performance measures
- Staff training and culture
- Ongoing monitoring
- Communication with auditors
- 2014 audit report
- Deliver effective customer service





Thank You!

