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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 |
|--|---------------------|------------------|------------------|---|
| Description of Risk | (Impact-Likelihood) | | | (page 1 of 2) |
| | 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) |
| Net income/ (loss) | 35,854 | 27,347 |

Note – All Financial Information is presented in IFRS format



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

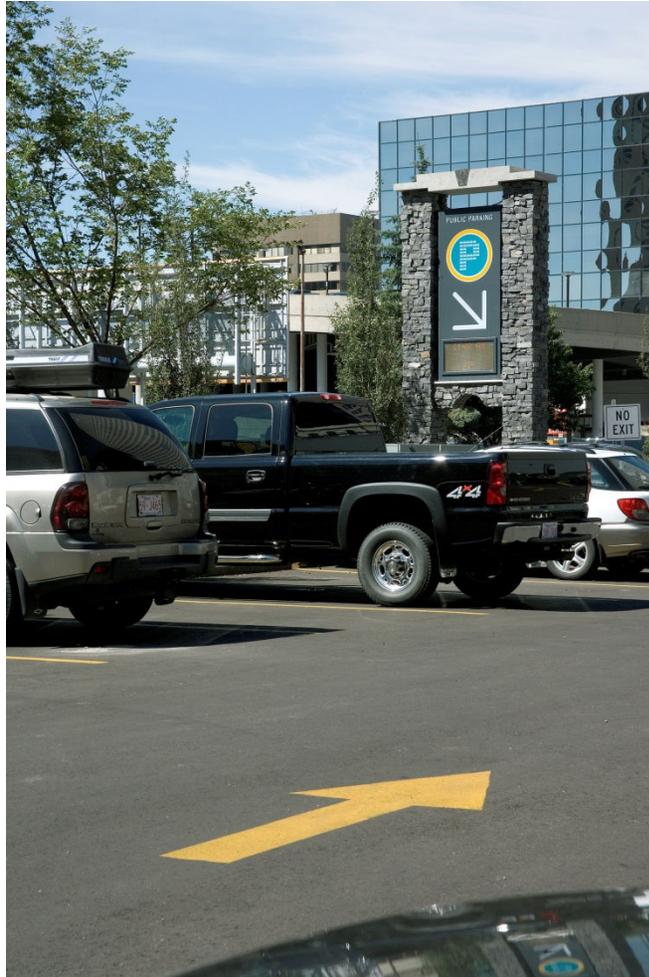
| (in \$000's) | <u>2014</u> | <u>2013</u> |
|--|------------------|------------------|
| Net Income | \$ 35,854 | \$ 27,347 |
| Add back: non-cash items | 11,659 | 19,428 |
| Subtotal | 47,513 | 46,775 |
| Cash Disbursements: | | |
| - Distribution to The City of Calgary | (25,048) | (21,821) |
| - 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!

