

Community Services Report to
Audit Committee
2023 December 14

ISC: UNRESTRICTED
AC2023-1298

Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

PURPOSE

The purpose of this report is to provide Council with a status update on the implementation of the key recommendations made in the 2021 *Shareholder Alignment Review of Wholly-Owned Subsidiaries Report*.

PREVIOUS COUNCIL DIRECTION

Council directed Administration to provide an update on the implementation of key recommendations in the *Shareholder Alignment Review of Wholly-Owned Subsidiaries Report* (AC2021-1354) through the Audit Committee by Q4 2023. The Shareholder Alignment Review was initiated to review the mandate of each wholly-owned subsidiary for alignment with the goals and purpose of the City of Calgary.

RECOMMENDATION:

That the Audit Committee recommend that Council:

1. Receive the *Final Deliverable – Phases 3 & 4 Shareholder Alignment Review of Wholly-Owned Subsidiaries Report* for the Corporate Record; and
2. Direct that the Attachments 2, 3, and 4, and the closed meeting discussions related to this report remain confidential pursuant to Sections 23 (Local public body confidences) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act* (Alberta). **Review by: 2025 December 31.**

RECOMMENDATION OF THE AUDIT COMMITTEE, 2023 DECEMBER 14:

That Council:

1. Receive the Final Deliverable – Phases 3 & 4 Shareholder Alignment Review of Wholly-Owned Subsidiaries Report for the Corporate Record; and
2. Direct that Attachments 2, 3, and 4, and the Closed Meeting discussions be held confidential pursuant to Sections 23 (Local public body confidences) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2025 December 31.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

GM Katie Black and City Solicitor & General Counsel Jill Floen concur with the content of this report.

HIGHLIGHTS

- Ernst & Young (EY) was engaged to develop the *Shareholder Alignment Review of Wholly-Owned Subsidiaries Report* (2021 Alignment Report) to enhance the alignment between The City and its wholly-owned subsidiaries, making 24 key recommendations.
- To date, The City has implemented 18 of the 24 key recommendations.

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- EY has thoroughly reviewed The City’s wholly-owned subsidiaries’ governance and identified improvements based on their expertise. Implementing these recommendations delivers a cohesive set of best practice governance and guiding principles that gives The City, as a shareholder, comfort that its subsidiaries are being managed prudently.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The City has established seven wholly-owned subsidiaries to carry out mandates that improve the quality of life for Calgarians by managing and operating programs, services, and amenities. The City is committed to best practice governance to create short, medium, and long-term opportunities to improve wholly-owned subsidiaries’ alignment and to optimize shareholder value. The purpose of the Shareholder Alignment Review is to ensure that the mandates of The City’s wholly-owned subsidiaries are aligned with the goals and purpose of The City.

The project has been completed in four phases:

- Phase 1: Shareholder Alignment Review (March 2021 - July 2021)
- Phase 2: Initial Implementation Plan (July 2021 - September 2021)
- Phase 3: Detailed Implementation Plan (November 2022 - January 2023)
- Phase 4: Execution of Key Recommendations (February 2023 - December 2023)

In Q3 2023, EY delivered the *Final Deliverable – Phases 3 & 4 Shareholder Alignment Review of Wholly-Owned Subsidiaries Report (2023 Alignment Report)* to The City. Attachment 2 summarizes the current status of each of the key recommendations, whether completed or otherwise.

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 checked="" type="checkbox"/> Public communication or engagement was not required |

All seven wholly-owned subsidiaries were provided with a copy of the 2021 Alignment Report and received a presentation on their specific recommendations as identified by EY. These wholly-owned subsidiaries were consulted during the implementation of their respective recommendations.

The 2021 Alignment Report and related materials have been directed to remain confidential due to the sensitive and detailed business information of the wholly-owned subsidiaries in the analysis. For this reason, no public engagement or communication has been undertaken.

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IMPLICATIONS

Social

The City's wholly-owned subsidiaries steward valuable amenities and provide economic, cultural, and other opportunities for Calgarians. They foster healthy physical and social environments, enrich the social fabric of Calgary, and support a high quality of life. Improving oversight and governance of wholly-owned subsidiaries enhances The City's ability to meet the needs of Calgarians.

Environmental

All wholly-owned subsidiaries have policies and procedures in place to manage any environmental requirements related to their operations. Where wholly-owned subsidiaries face risks related to environmental requirements, enhanced risk management strategies are among the implemented recommendations.

Economic

The City's wholly-owned subsidiaries contribute to key strategies related to economic development including implementation of *Calgary in the New Economy: An economic strategy for Calgary*. Enhancing wholly-owned subsidiaries' governance supports The City's ability to collaboratively advance economic development.

Service and Financial Implications

Existing operating funding - one-time

The consultancy work has been funded out of Program 861 (Corporate Costs) as well as from the Audit Committee budget.

Administration's work related to wholly-owned subsidiaries' governance is currently being led by the Manager, Major Partners, and is supported by the Team Lead, Wholly-Owned Subsidiaries and non-dedicated personnel in Finance and Law. The City is currently evaluating its capacity, and whether additional resources will be required to support the obligations resulting from the 2023 Alignment Report.

RISK

The City's wholly-owned subsidiaries are currently being managed according to established processes and practices that have evolved separately for each organization. Best practice governance and planning for sustainment will provide the necessary foundation to manage The City's risk associated with its wholly-owned subsidiaries.

ATTACHMENTS

1. Background and Previous Council Direction
2. CONFIDENTIAL - Summary of Key Recommendations
3. CONFIDENTIAL - Final Deliverable – Phases 3 & 4 Shareholder Alignment Review of Wholly-Owned Subsidiaries
4. CONFIDENTIAL - Presentation

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Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Katie Black	Community Services	Approve
Jill Floen	Law Legislative Services & Security	Approve
Carla Male	Corporate Planning & Financial Services	Consult

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