

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

EXECUTIVE SUMMARY

This report provides an annual financial review and compliance status for community associations and social recreation groups with a Lease or License of Occupation on City-owned land. Overall, the majority of organizations are financially and organizationally stable, and successfully managing their programs.

Community associations and social recreation groups work in partnership with The City of Calgary to meet community recreational and social needs. Long-term sustainability of partner organizations allows needed programs and services to continue to be available to community residents. Sustainability of an organization depends on a number of factors including the ability to provide relevant programs to residents and members, to retain an active and skilled board, and to identify and mitigate any financial risks.

The ratings outlined in this report take into consideration risks posed by financial and governance practices, and the scale of amenities or facilities managed by the groups. Compliance requires the submission of a business plan and lifecycle study in addition to the year-end financial statements. Organizations that are financially at risk are identified early in Administration's review process and immediate steps are taken to improve the organization's sustainability.

While groups are currently doing well overall, an aging portfolio of facilities and rising life-cycle costs are growing burdens on groups and increased impact to organizational health is anticipated in the coming years.

ADMINISTRATION RECOMMENDATIONS

That Audit Committee recommends that Council:

1. Receive this Report for information;
2. Direct that this Report and Attachment 1 remain confidential under section 24 (1) (b) for the duration of the in-camera meeting and be made public upon Council's rise and report; and
3. Direct that Attachments 2, 3, and 4, of this report remain confidential under Sections 23 (1) (b), 24 (1) (a), 24 (1) (b), and 16 (1) of the *Freedom of Information and Protection of Privacy Act* (Alberta) until such time as the third parties agree to release the information.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2016 OCTOBER 20:

That Council:

1. Receive Report AC2016-0764 for information;

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

2. Keep the Report and Attachment 1 confidential pursuant to Section 24(1)(b) of the *Freedom of Information and Protection Act* for the duration of the In Camera meeting and be made public upon Council's rise and report; and
3. Keep Attachments 2, 3, and 4 of this Report confidential pursuant to Sections 16(1), 23(1)(b), 24(1)(a), and 24(1)(b) of the *Freedom of Information and Protection of Privacy Act* until such time as the third parties agree to release the information.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2015 November 23, Council approved AC2015-0899 Status of Community Associations and Social Recreation Organizations on City-Owned Land, receiving the report for information and directing that this report and Attachment 1 remain confidential under section 24 (1) (b) for the duration of the in camera meeting and be made public upon Council's rise and report; and directing that Attachments 2, 3 and 4 and the In Camera discussions remain confidential under Sections 16 (1), 23 (1) (b), and 24 (1) (a) & (b) of the *Freedom of Information and Protection of Privacy Act* (Alberta) until such time as the third parties agree to release the information.

On 2012 February 27, Council approved CPS2012-03 including policy CSPS2011 Lease/License of Occupation to Community Organizations. This policy requires submission of a board-approved business plan, as well as a lifecycle study, within one year of the commencement of the lease or license of occupation.

On 2006 January 19, Audit Committee approved AC2006-02 Status of Community Associations and Social-Recreation Organizations on City of Calgary-owned Land, directing Administration to expand the report to include all third-party organizations with facilities on City-owned land that Community Services liaises with, and include financial exposure as it relates to an evaluation of liabilities exceeding assets available to satisfy these liabilities.

On 2003 December 18, Audit Committee approved AC2003-68 Financial Status of Organizations on City-owned Land, directing Administration to expand the report to include information on insurance, lease status and lease payment.

On 1994 January 31, Council approved NM94-03 Facilities on City-owned Lands, directing Administration to acquire and review, in a timely manner, current and reliable financial statements for organizations operating not-for-profit facilities on City-owned land, and report annually to Audit Committee the results of the reviews.

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

BACKGROUND

In 2015, The City of Calgary entered into a lease or licence of occupation with 180 community associations and social recreation organizations in Calgary. These groups provide social, recreation and community programs valued by all Calgarians. Administration annually conducts financial reviews of these organizations, which serve four purposes:

1. Identifying trends within the sector;
2. Providing a snapshot of the general health of community partners;
3. Assessing The City's risk by proactively identifying groups struggling to maintain their organization and/or facility; and
4. Identifying and implementing a risk management plan to support these organizations.

Community associations and social recreation organizations on City-owned land are required by their agreements with The City to provide signed copies of their financial statements within 30 days of their annual general meeting. Statements are reviewed and rated as:

- good,
- satisfactory,
- marginal, or
- Organization of concern.

In cases where critical financial information is missing or comparative data is presented in a way that does not allow for proper analysis, the group's statement is rated "insufficient". Attachment 1 provides definitions of each rating.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Overall, the majority of organizations are financially and organizationally stable, and successfully managing their programs and facilities.

Overall findings and a summary of ratings by ward, for all 180 organizations currently operating on City-owned land, is provided in Attachment 2.

Trends:

Asset Management and Planning

Lifecycle maintenance of amenities continues to be an area of concern for many partner organizations. Groups continue to operate their facilities, but require a continuum of support from The City in order to maintain them. Due to the age of most facilities, even basic repairs can become quite complex, requiring greater expertise and funding than in the past. The Capital Conservation Grant (CCG) is the primary funding source for maintenance and is vital for the continued operation of most facilities.

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

Administration has shifted the Capital Conservation Grant and support for community amenities to Community Services' Department Capital Development division (DCD) in Calgary Community Standards. The change means increased support for the volunteer organizations. There are now two engineers and three facility operation coordinators supporting all community capital projects through consultation, site visits, and negotiations with external engineering firms and other contractors.

With the increased technical expertise, and focus on the development of comprehensive capital life-cycle reports, it is becoming clear that the current CCG budget is not sufficient to meet the facility life-cycle maintenance requirements of many groups. In comparing the lifecycle plan estimated costs to the funds invested through the CCG program over the period of 2011 to 2015, there is a gap of approximately \$27 million. While some of this lifecycle work would be covered by other sources of funding (other government grants, group revenues, donations, etc), and some of the work in the lifecycle plans would not have been required at the time, the calculated funding gap provides an indication of the high risk of future capital liabilities.

Western Management Consultants has been retained by DCD to complete a review of the entire infrastructure portfolio and identify specifically where there are gaps between funding resources and what is needed for life-cycle requirements. Western Management Consultants will develop an asset management plan for long-term sustainability for our community partners and our City-owned amenities. This is anticipated to be completed Q1, 2017.

Safety of Community Amenities

The DCD team has helped address any life safety issues, and provide technical support and guidance to all facilities. Generally, the team was able to identify pressing issues, and guide groups towards planning and repairing these items.

Over the course of the year, the CCG has also provided exceptional funding to two community associations in order to address life safety items where groups lacked financial capacity to address issues because of the high cost. Due to the ageing of the entire portfolio stock, there will be increased pressure in the coming years for preventive work to address future safety issues.

Financial Controls

Liaison staff provide recommendations on financial controls to help ensure the sustainability of these organizations. A number of groups do not regularly review financial statements and budgets at board meetings. As volunteers frequently change on community organization boards, new training on financial controls is often required. Liaison staff, in conjunction with the Federation of Calgary Communities, will continue to provide education and advocate for the use of good financial practices and reporting.

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

Governance Practises

Liaison staff of both Calgary Neighbourhoods and Calgary Recreation have been working closely with our community partners to improve on their governance practices. This work includes the development of human resources policies, financial controls, establishing sound rental agreements, the review of by-laws and the development and implementation of business plans. Over the last few years, Administration has seen an increase of participation by board members actively engaged in all parts of operations and succession planning for new board members to secure required expertise. Community associations have also realized the value in connecting with their residents. Approximately three quarters of groups have engaged their neighbourhood in the past five years or less.

Early Intervention

Administration has continued an early intervention strategy when it looks like a group may be experiencing difficulties. Liaisons are familiar with the struggles boards face as they attend board meetings, and maintain an ongoing relationship with the groups. Liaisons are able to identify when a challenge is becoming chronic, and the group may need extra support.

For the second year, Administration has engaged a third-party consultant to provide additional support to organizations in the areas of finance and revenue generation. Through 2015, and up to the time of this report, a Chartered Professional Accountant has been engaged to support three organizations and complete a financial sustainability report. This work included strategies for improving financial policies and controls, and investigating new sources of programming and funding. The organizations will continue to work with the consultant on the implementation of the financial recommendations, with improvements in the organizations' financial health expected in 2017.

Early intervention also occurred when Administration contracted a third-party mediator to help an organization in resolving an ongoing dispute with a garden group. An agreement was reached in 2016, making it possible to keep the community garden.

Stakeholder Engagement, Research and Communication

City liaisons work with community organizations on a daily basis to determine their needs and assist them with the diverse issues they encounter every day. Liaisons provide education and broker other resources to support best practices. Calgary Neighbourhoods encourages community associations to fully engage residents as a first step in the development of their business plans. The program "This is My Neighbourhood", has demonstrated the positive impact of engagement with residents to both share the priorities of The City at a neighbourhood level, and to better understand neighbourhood gaps and resident priorities for programs and services. In response, neighbourhood organizations are able to work in partnership with residents and The City in addressing the gaps and priorities.

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

Strategic Alignment

The recommendations in this report align with Action Plan 2015-2018's Council Priority: A City of Inspiring Neighbourhoods, and Strategic Action: Great Neighbourhoods. Key focus area N4 specifically outlines the need to revitalize the role and ability of community associations, and use of community facilities. This focus area states The City will also work with community associations and social recreation groups to support them in engaging residents and developing business plans that respond to community needs.

Social, Environmental, Economic (External)

Social

Community associations and social recreation organizations create gathering spaces that foster inspiring neighbourhoods. By supporting these organizations and positioning facilities as community assets, Administration fosters a vibrant city with strong and inclusive neighbourhoods where citizens are empowered, connected and involved in healthy, active and creative lifestyles.

Environmental

Administration is working with community associations to develop guidance on how to best leverage emerging provincial investments in distributed renewable energy and efficiency.

Economic

The annual financial review and compliance status facilitates improved economic viability of community associations and social recreation organizations. Financially viable community organizations contribute to Calgary's economic well-being by helping to nurture the growth and development of communities by improving the quality of life for those living and working in their neighbourhood.

Financial Capacity

Current and Future Operating Budget:

There are no implications at this time as a result of this report.

Current and Future Capital Budget:

There are no implications at this time as a result of this report.

Risk Assessment

Should any community association or social recreation organization on City-owned land default or cease operations, the amenity would be returned to The City. Typically in these situations, a new tenant, that aligns with the land-use designation and meets community needs, will be selected through an expression of interest process.

In cases where an amenity has deteriorated and requires extensive repair, The City may have to invest significant dollars. This is typically only considered when a facility is providing programs to a large number of Calgarians or when a safety issue is present that may result in a

STATUS OF COMMUNITY ASSOCIATIONS AND SOCIAL RECREATION ORGANIZATIONS ON CITY-OWNED LAND

facility closure. To mitigate these risks, DCD reviews the lifecycle plans for each amenity and provides funding through the Capital Conservation Grant (CCG) program as required. When the CCG program is not able to meet the financial needs, DCD identifies, with City Council support, other sources of funding. In addition, demolition is becoming a viable option for portions of some buildings. This too is being funded through the CCG program.

REASON FOR RECOMMENDATIONS:

The annual review of community associations and social recreation organizations on City-owned land highlights risks, enhances accountability and provides an opportunity for Council to understand the current state and challenges of community associations and social recreation organizations that steward City-owned land.

ATTACHMENTS

1. Definitions of Rating Terms
2. Overall Findings and Compliance Status
3. Non-Compliance Items and Groups with Agreements in Overhold
4. Mitigation Strategies for Organizations of Concern