

Community Services Report to
Audit Committee
2024 June 13

ISC: UNRESTRICTED
AC2024-0282

2023 Civic Partner Audit Report

PURPOSE

As part of the accountability measures in place for The City's Civic Partners this report presents the results of an annual financial review that evaluates The City's exposure to third party risk based on Civic Partners' 2023 audited financial statements. It also provides an overview of their governance and risk management practices.

PREVIOUS COUNCIL DIRECTION

2023 accountability reporting for Civic Partners also includes the 2023 Civic Partner Annual Report (CD2024-0274) presented in 2023 May. The previous Civic Partner Audit Report was presented in 2023 June (AC2023-0414). Full details about previous Council direction are included in Attachment 1.

RECOMMENDATIONS:

That the Audit Committee recommend that Council:

1. Receive this report for the Corporate Record; and
2. Direct that Attachments 4, 5 and 6 through 32 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 2027 October 22.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2024 JUNE 13:

That Council:

1. Receive this report for the Corporate Record; and
2. Direct that Attachments 4, 5 and 6 through 32 **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*, to be reviewed 2027 October 22.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

General Manager Katie Black concurs with the content of this report.

HIGHLIGHTS

- The Civic Partner Audit Report 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 (CPS2017-01)*. This report, combined with the Civic Partner Annual Report (CD2024-0274), provides a snapshot of organizational

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and financial health, governance and risk management practices and key results of Civic Partners in 2023.

- The City invests significant operating and capital funding in Civic Partners and many manage and operate significant and valuable City-owned assets. Annually reviewing the financial health, governance and risk management practices of Civic Partners reduces The City's exposure to third party risks that exist when partnering with external organizations.
- Based on 2023 audited financial statements, the majority of Civic Partners are rated as low risk. Administration is working with the Civic Partners that are rated as elevated and high risk to ensure that mitigation strategies are in place and provide support where appropriate.

DISCUSSION

The City partners with external organizations to provide effective programs and services in targeted areas, develop and advance strategies, and construct, manage and operate City-owned assets. The City makes its most significant investment of operating grant funding in "Civic Partners", a category of partner defined in the *Investing in Partnerships Policy* based on the level of investment.

Through partnerships, The City and Calgarians benefits from partners' knowledge and expertise and their ability to leverage The City's investment to meet the community's diverse needs. In 2023, The City's invested over \$138 million in operating grants including over \$7 million in one-time funding in Civic Partners. The City also invested over \$17 million in capital grants for lifecycle of City-owned assets managed and operated by these Partners and \$7 million for one-time capital projects (Attachment 2).

Following Council direction, Administration has annually brought forward a Civic Partner Audit Report since 2013. This report is one part of a broader accountability framework in place to mitigate risks related to partnering. The annual financial review process evaluates The City's exposure to risk related to Civic Partners, assesses Civic Partners' overall financial health and provides an opportunity to work with partners to understand how they are managing 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.

Based on established criteria, each Civic Partner is assigned a rating of either low, elevated or high risk (definitions are outlined in Attachment 3). Based on 2023 audited financials the majority of Civic Partners are financially stable with 24 rated as low risk, four Civic Partners and one wholly owned subsidiary of a Civic Partner rated as elevated risk and one rated as high risk. Ratings for all Civic Partners are included in Attachment 4. Administration works with Civic Partners that are rated as elevated or high risk to identify mitigation strategies that can improve the organization's financial health and reduce The City's exposure (Attachment 5).

In addition to their accountability to The City, each Civic Partner organization is governed by a board of directors, and accountable to their patrons, customers, members, partners, funders and others. The legal structures of Civic Partner organizations includes wholly-owned subsidiaries, legislated bodies and independent organizations. Each Civic Partner's relationship with The City is guided by the Partner's legal structure and any agreements in place.

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Accountability processes, combined with strong governance practices, help ensure partners are sustainable and appropriately manage risk. Attachments 6 through 32 provide detailed, self-reported information about each Civic Partners' governance structures and practices, and risk management. All Civic Partners except two submitted 2023 templates. This year, each Civic Partner attachment includes a covering summary sheet prepared by Administration with governance and risk management highlights for each Civic Partner.

2023 Highlights

While risk management practices vary among Civic Partners, common practices include regular reviews of risks by senior leaders, board committees and board of directors, the use of tools and processes to monitor and manage risk including risk matrices and heat maps. The most commonly reported risks include:

- **Financial**
Partners reported challenges managing the escalating costs of operations including the significant impact of rising inflation. This was coupled with risks related to accessing other sources of revenue including funding from other levels of government, lower than projected sales and attendance and challenges accessing corporate sponsorships.
- **Employee Recruitment and Retention**
Given the specialized skills and experience required to support each Partner's operation, the loss of staff has a significant impact. To mitigate this risk, Partners focused on a total rewards approach, showcasing the full benefits of their workplace including work-life balance initiatives such as flexible work and hours and opportunities for career advancement and development.
- **Reputational**
Partners frequently reported reputational risks that were mitigated by building and maintaining strong relationships with the community, funders, and key partners; building strong alliances to advance shared work with their partners and working with community to remain relevant and meeting Calgarians' changing needs.

Attachments 6 through 32 of this report, combined with Attachments 4 through 23 of the Civic Partner Annual Report (CD2024-0274) support accountability for the significant annual investments The City makes in Civic Partners to help deliver results for Calgarians.

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.

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IMPLICATIONS

Social

Confirming Civic Partners have strong governance and risk management practices in place helps ensure they have the capacity required to deliver on their mandates including supporting implementation of the *Enough for All 2.0* poverty reduction strategy, The City's *Sport for Life Policy* and the *Cultural Plan for Calgary*, and providing valuable recreation, sport and cultural opportunities for Calgarians. Civic Partners also 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

As part of managing risks related to City-owned assets, The City provides capital grant funding that Civic Partners match with other funding sources. As part of lifecycle maintenance work, 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.

Economic

Strong governance and risk management practices help ensure Civic Partners have the capacity to deliver on mandates that contribute to economic development including supporting implementation of *Uplook: An Action Plan for our Economy* and related strategies including the *Enough for All* poverty reduction strategy, *Destination Strategy*, *Eventful City Strategy*, *Winter City Strategy*, *Living a Creative Life* and by operating cultural attractions and offering convention centre services.

Service and Financial Implications

Existing operating funding - base

\$138,656,767

Base operating grant funding in 2023 supported Civic Partners to contribute to The City's delivery of nine services: Affordable Housing, Arts & Culture, City Planning & Policy, Community Strategies, Economic Development & Tourism, Library Services, Neighbourhood Supports, Parks & Open Spaces, and Recreation Opportunities. The Civic Partner Infrastructure Investment Grant program supports the maintenance and lifecycle required to support high-functioning City-owned assets managed and operated by partners.

RISK

The City's most significant risks related to partnering are the financial and reputational risks associated with circumstances where 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.

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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. Civic Partner Grant Funding 2021-2024
3. Definition of Rating Terms
4. Civic Partner 2023 Audit Ratings (Confidential)
5. Civic Partner Risk Mitigation Strategies (Confidential)
6. Aero Space Museum Association of Calgary (The Hangar Flight Museum) (Confidential)
7. Arts Commons (Confidential)
8. Calgary Arts Development Authority Ltd. (Confidential)
9. Calgary Convention Centre Authority (Calgary TELUS Convention Centre) (Confidential)
10. Calgary Economic Development Ltd. (Confidential)
11. Calgary Female Sport Development Association (Great Plains Recreation Facility) (Confidential)
12. Calgary Public Library Board (Confidential)
13. Calgary Science Centre Society (TELUS Spark) (Confidential)
14. Calgary Sport Council Society (Sport Calgary) (Confidential)
15. Calgary Zoological Society (Calgary Zoo) (Confidential)
16. Contemporary Calgary Arts Society (Confidential)
17. Federation of Calgary Communities (Confidential)
18. Fort Calgary Preservation Society (The Confluence Historic Site and Parkland) (Confidential)
19. Heritage Calgary (Confidential)
20. Heritage Park Society (Confidential)
21. Lindsay Park Sports Society (MNP Community and Sport Centre) (Confidential)
22. NE Centre of Community Society (Genesis Centre) (Confidential)
23. Opportunity Calgary Investment Fund Ltd. (Confidential)
24. Parks Foundation, Calgary (Confidential)
25. Platform Calgary (Confidential)
26. Silvera for Seniors (Confidential)
27. South Fish Creek Recreation Association (Cardel Rec South) (Confidential)
28. The Calgary Young Men's Christian Association (YMCA) (Confidential)
29. Tourism Calgary-Convention and Visitors Bureau (Confidential)
30. Vecova Centre for Disability Services and Research (Confidential)
31. VCC Initiatives Ltd. (Vibrant Communities Calgary) (Confidential)
32. Vivo for Healthier Generations Society (Confidential)
33. Administration Presentation

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Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Katie Black	Community Services	Approve
Carla Male	Corporate Planning and Financial Services	Inform

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