

Status of Community Associations and Social Recreation Organizations on City-Owned Land

EXECUTIVE SUMMARY

This report provides an annual financial review and compliance status of community associations and social recreation organizations with a lease or license of occupation on City-owned land. The majority of organizations are financially and organizationally stable and successfully managing their programs.

Community associations and social recreation organizations 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 financial, facility or organizational risks. In response to the aging portfolio of facilities and rising lifecycle costs, Administration continues to prioritize the coordination of lifecycle studies and projects through available City funding.

The ratings outlined in this report take into consideration the level of risk represented by the organizations' financial measures of liquidity, leverage and performance. Compliance requirements include the submission of year-end financial statements, a current insurance policy, a business plan, a lifecycle study and appropriate use of public lands. Organizations with elevated or high risk are identified early in Administration's review process and immediate steps are taken to improve the organization's sustainability.

Administration recommends that Council rescind the policy Status of Community Organizations on City-Owned Land (CSPS015) as the policy is redundant. Notice of motion (NM94-03) already directs Administration to report annually to Council through the Audit Committee.

As outlined in the lease/license of occupation agreement, organizations are required to release financial statements to Administration but permission to release financial statements and financial ratings to the public has not been granted. Therefore, Administration recommends Attachments 3, 4 and 5 remain confidential.

ADMINISTRATION RECOMMENDATIONS:

That Audit Committee recommends that Council:

1. Receive this report for information;
2. Approve that the following policy be rescinded: *Status of Community Organizations on City-Owned Land* (CSPS015) (Attachment 7);
3. Direct that attachments 3, 4 and 5 of this report remain confidential pursuant to sections 23(1), 24(1) and 16(1) of the FOIP Act and remain so until such time as section 16 is no longer satisfied.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2017 July 24, Council approved AC2017-0401 Calgary Neighbourhoods Support of Community Associations Audit, receiving the report for information.

Status of Community Associations and Social Recreation Organizations on City-Owned Land

On 2016 November 7, Council approved AC2016-0764 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 pursuant to section 24(1)(b) of the Freedom of Information and Protection of Privacy (FOIP) Act 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, of this report remain confidential pursuant to sections 23(1)(b), 24(1)(a) and 16(1) of the FOIP Act and remain so until such time as section 16 is no longer satisfied.

On 2012 February 27, Council approved CPS2012-03 including policy CSPA2011 Lease/License of Occupation to Community Organizations. This policy required 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 financial statements from all organizations which are responsible for facilities on City-owned land; review encountering financial problems, strategies for containing costs and increasing revenues; bring to Council a report including an evaluation of costs or liabilities potentially facing the City.

BACKGROUND

In 2016, The City of Calgary had a lease or license of occupation with 189 community associations and social recreation organizations in Calgary. These groups provide social, recreation and community programs valued by a broad range of Calgarians.

Administration annually completes a report on the lease/license of occupation compliance status of these organizations. The report for 2017 also responds to recommendations from The City Auditor (AC2017-0401 Calgary Neighbourhoods' Support of Community Associations Audit) including relevant information about The City's risk as it relates to organizations' facility management and land use compliance.

This annual status report serves the following purposes:

1. Identifies trends within the sector;
2. Provides a snapshot of the general health of community partner organizations;
3. Assesses The City's risk by proactively identifying organizations struggling to maintain their status and/or amenity; and
4. Identifies and implements a risk management plan to support these organizations.

Status of Community Associations and Social Recreation Organizations on City-Owned Land

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The majority of organizations have favorable ratings, demonstrating that they are stable organizations capable of delivering programs to meet the needs of their community.

Overall findings and a summary of compliance and financial review results is provided in Attachment 2. The compliance status data for each ward which shows the financial and business plan ratings for all 189 organizations currently operating on City-owned land, is provided in Attachment 3.

Lifecycle and Facility Maintenance

Lifecycle maintenance of amenities continues to be an area of concern for many partner organizations. While the Capital Conservation Grant (CCG) continues to be a primary funding source for our partner organizations, basic repairs have become increasingly complex due to the aging infrastructure and changes in building code.

Lifecycle reviews are organized by The City on behalf of community associations and social recreation organizations. For each organization, every five years, a lifecycle report is completed on the assets maintained within their lease/license of occupation. Currently, all organizations have an up-to-date report completed.

The Capital Development team that administers the Capital Conservation Grant through Calgary Recreation, continues to work with an external consultant to complete a review of the infrastructure within the partner portfolio and is developing a business case with an asset management system implementation plan for these partner-operated assets. Using industry standard estimations, it has been determined that the replacement cost for the assets within the partner portfolio is estimated at just under one billion dollars.

The external consultant has identified that an asset management system needs to be implemented at the portfolio level for our partner organizations. This system will be driven to realize three key benefits; reduce risk to The City and the partner, reduce cost to taxpayers, and increase value for taxpayers. Options have been investigated to utilize and align with City of Calgary corporate standards to meet the portfolio's asset management needs. The most value-driven option will allow The City to forecast capital needs and plan in a consistent, repeatable and accurate manner. The implementation plan for this option is expected to be completed by 2017 Q4, with hard and soft costs to proceed.

Early Intervention

Liaisons form close working relationships with the boards of directors from the partner organizations; therefore, they are integral to identifying when boards are experiencing issues and will recommend when additional support is needed. Support may include the engagement of a third-party consultant help the group to mitigate financial issues and improve financial sustainability.

Through 2014, and up to the time of this report, a chartered professional accountant has been engaged to support five organizations and complete a financial sustainability report for each organization. This work includes strategies for improving financial policies and controls, and

Status of Community Associations and Social Recreation Organizations on City-Owned Land

investigating new sources of programming and funding. Long-term evaluation of partner organizations that have received financial consultation support demonstrates positive outcomes for achieving overall improvement of organizational sustainability.

Changes to Report Function and Format

Business plans

City liaisons have been working with organizations on the submission of quality business plans. The business plans must meet the criteria outlined in the lease/license of occupation. Many of the organizations that are overdue in their business plan submission still recognize the importance of a guiding document and are in process of completing the plan.

Land use compliance

Administration is unaware of any organizations currently at risk related to land use compliance. As outlined in land use bylaw IP2007, organizations are adhering to permitted uses and discretionary uses on City land. If an organization is notified of a bylaw infraction, City liaisons are available to support by working with internal business units and the organization to resolve the issue.

Organizational Health Reporting for 2018

Given the City Auditor's recommendation to include organizational health in the 2018 report, Calgary Neighbourhoods has developed an Organizational Health Self-assessment process, whereby, organizations can voluntarily review and rate their own organizational health. Submitting information on organizational health is optional for organizations and not a requirement of the lease/license of occupation; however, participating in a self-assessment process is a recommended best practice. Results of the self-assessment will assist Administration in identifying organizations whose sustainability may be at risk so needs can be addressed immediately. Attachment 6 outlines 2018 report changes based on organizational health reporting.

Stakeholder Engagement, Research and Communication

City liaisons work with community organizations on a continual 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 to address the gaps and priorities.

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

Status of Community Associations and Social Recreation Organizations on City-Owned Land

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 provide support in engaging residents and developing business plans that respond to community needs.

Social, Environmental, Economic (External)

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. Administration has been working with community associations to develop guidance on how to best leverage emerging provincial investments in distributed renewable energy and efficiency. Some community associations are participating in energy audits, purchasing energy-efficient appliances and equipment and experimenting with solar power. With Calgary's changing economy, the viability of a community organization is dependent on the ability to adapt to the changing needs of those living and working in the neighbourhood.

Financial Capacity

Current and Future Operating Budget:

There are no implications as a result of this report.

Current and Future Capital Budget:

There are no implications 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 partner that aligns with the land use designation and meets community needs, will be selected through a formal process. In some instances, the amenity may be required for municipal use.

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 facility closure. To mitigate these risks, Calgary Recreation's Capital Development team reviews the lifecycle reports 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, Calgary Neighbourhoods and Calgary Recreation will identify, with City Council support if required, other sources of funding or a strategy moving forward. Demolition is becoming a viable option for portions of some buildings.

Status of Community Associations and Social Recreation Organizations on City-Owned Land

REASONS FOR RECOMMENDATIONS:

The annual review of community associations and social recreation organizations on City-owned land enhances accountability, highlights risks, 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.

Since Administration presents the Status of Community Associations and Social Recreation Organizations on City-Owned Land report to the Audit Committee annually, policy CSPS015 Status of Community Organizations on City-Owned Land Policy (Attachment 7) is no longer relevant.

ATTACHMENTS

1. Definitions of Rating Terms
2. Overall Findings
3. Compliance Status by Ward
4. Non-Compliance Items and Groups with Agreements in Overhold
5. Mitigation Strategies for Organizations of Concern
6. 2018 Report Changes
7. CSPS015 Status of Community Organizations on City-Owned Land Policy