

CHC Risk Analysis: As of April 30, 2014

Note 1

Rent Revenue

CHC relies on rent revenue from its various properties across its portfolios to support its operational and financial viability. The impact of a significant revenue loss would impact CHC's ability to maintain its assets, meet its financial obligations, and continue day-to-day services. CHC's rent revenue has increased steadily over the last 4 years with a slight increase projected for 2014. The current vacancy rate is approximately 1 % and the forecast is that vacancies will remain low.

Management Mitigation Strategy

CHC monitors all rent revenues and vacancy rates monthly to ensure optimization of revenue based on our CHC mandate. CHC rent revenue initiatives associated with the reorganization are focusing on:

- Reducing turnaround time for vacant units
- Increasing awareness and initiatives in rent collection practices
- Dedicated marketing and leasing staff specific to each building that will increase revenue and sustainability in 2014
- BPR to improve vacancy turnaround time

In addition, CHC is taking the following steps to mitigate organizational rent revenue loss:

- Monitoring economic and social trends that could impact CHC revenue
- Developing marketing plans for buildings with higher vacancies

Note 2

Reserve Fund

CHC is at risk of not having sufficient capital to support projected life cycle maintenance, redevelopment and growth cash flows.

Management Mitigation Strategy

CHC has implemented an asset management strategy to define what is required as well as the sources and availability of capital to fund these requirements. How this strategy is implemented varies across the different housing portfolios CHC owns and manages.

For the Calhome Owned, Federal Fixed, Provincially Fixed and Public Non Profit portfolios the Infrastructure & Asset Management group has initiated a building condition assessment program. This program will assess building condition and from this determine what the remaining life cycles are for individual building components. Combining this information with projected redevelopment and new development plan ensures reserve fund requirements are defined. To determine available funds, the CHC Finance group will define available capital and projected annual contributions. Currently, building condition assessments are outstanding for the buildings within the Public Non-Profit portfolio. It is anticipated that currently available capital and anticipated cash flows will support reserve fund requirements for the Calhome Owned, Federal Fixed and Provincially Fixed portfolios for the coming years.

For the City Owned portfolio, the Infrastructure & Asset Management group is negotiating a service level agreement with The City to conduct building condition assessments on their properties in this portfolio. Under this agreement CHC will deliver a projected reserve fund requirement based on the results of the building condition assessments. The City will then contribute appropriate funds to support reserve fund requirements.

Building condition assessments for Provincially Owned properties are conducted by contractors as directed by Infrastructure Alberta. The CHC Infrastructure & Asset Management group is responsible for the identification, budgeting and execution of the lifecycle maintenance program. CHC is working with The Province in coordinating the roles and responsibilities to appropriately identify and finance reserve fund requirements going forward.

Note 3

Misappropriation

CHC is exposed to various types of misappropriation, including tenant income/asset misrepresentation

Management Mitigation Strategy

CHC staff receive training on tenant income and asset verification methods and have a good understanding of the appropriate practices and documentation required at application and annual rent review time. Tenants are required to provide documents to substantiate income, monthly available funds, and other income sources, including but not limited to bank statements, tax returns, etc.

The annual rent review process, which is required to be completed for all fixed term lease tenants, provides an annual opportunity to verify the data, obtain current documentation of income and assets, etc. When flags are raised, further investigation is completed.

In addition, the City of Calgary has a whistleblower program to mitigate risks including misappropriation. Neighbours or acquaintances of tenants will sometimes use this process to inform CHC of perceived abuses.

Note: CHC has no staff position specifically dedicated to “misappropriation/fraud” investigation.

Note 4

Funding Uncertainty

In addition to rent revenue, CHC relies on government transfers to fund its various provincial and city portfolios. Government transfers and funding for direct program delivery (e.g. rent supplement, housing works) account for approximately 42% of CHC’s total revenue. Funding for the various Provincial and City Portfolios is identified in the operating agreements but CHC is still required to obtain annual budget approval from the Province. As governments and economics change, and operating agreements expire, there is an associated risk of government funding uncertainty related to the Provincial and City related Portfolios.

Management Mitigation Strategy

CHC maintains a relationship with senior levels of government to anticipate current and future changes in government funding that are related to the provincial and city portfolios. CHC senior management has worked hard to advocate increased funding to the CHC Provincial and City Portfolio through meetings, correspondence, phone discussions, presentations and portfolio tours and explanations. As a result of

these efforts, CHC obtained increased funding in 2013 and this improvement in the funding levels should continue as we enter 2014.

Note 5

Cost of Externally Sourced Services

CHC operations, maintenance and project cost increases are subject to many factors including the cost of external contractors. In order for CHC to sustain these increasing costs rental income must be increased at a rate to keep pace. There are a number of operating agreements with funders that may prevent CHC from increasing rents beyond specified levels. In an environment of limited contractor resources, external contractor rates increase in excess of inflation pressuring CHC's rental rates to increase at a greater rate as well. This results in a business viability risk to CHC and a rental cost escalation risk to CHC's tenants.

Management Mitigation Strategy

In order to manage the risk of escalating maintenance costs, CHC is investigating the following cost management strategies:

- Refining tenant supported maintenance through the following education programs:
 - Orientation at move in time
 - Seasonal maintenance requirement notifications
 - An updated maintenance manual
- Sourcing cost analysis comparing internally resourced vs. external to identify the more cost effective method of service delivery
- A Tenant Review Committee (TRC) was established to review all tenders and requests for proposals to identify efficiencies and ensure optimum price and value are obtained for services required

Note 6

Business Continuity Plan

CHC, like every organization, is at risk of having their business processes disrupted in the event of an unplanned occurrence such as:

- Natural disasters such as tornadoes, floods, blizzards, earthquakes and fire
- Accidents
- Sabotage
- Power and energy disruptions
- Communications, transportation, safety and service sector failure
- Cyber attacks and hacker activity
- IT systems availability

Management Mitigation Strategy

In order to mitigate or contain business disruption in the event of an unplanned business disruption, CHC is improving its business continuity plan (BCP). A comprehensive BCP will help mitigate or contain the disruption and ensure that CHC employees have the resources and information needed to deal with the disruption. In 2013, when Calgary experienced significant flooding, CHC management and staff responded appropriately and effectively to continue the performance of business processes while addressing the needs of the impacted tenants. Through this process however several needed resources and integration points were not available. CHC is now improving its BCP in the 2014 work-plan. This

BCP will support CHC to be enabled with the technology, training and integration to be better prepared for future business disruptions.

Note 7

Emergency Response Plan

CHC has the risk of loss of tenant home and safety, loss of property or damage incurred to property, loss of rental income and increased expense as well as negative impact on its reputation in the event an emergency situation is not handled with utmost expediency and in a professional and compassionate manner.

Management Mitigation Strategy

Tenant safety and asset protection are the overriding principles and key elements of a proper strategic mitigation plan.

CHC is following a well-defined, consistent, and organized approach for responding to emergencies, as well as taking appropriate action when an emergency occurs:

- CHC follows a crisis communication procedure
- Practicing appropriate and ongoing emergency awareness and prevention processes

The following actions are being planned for development and to reduce the emergency incident response risk:

- Making risk specific plans where an identified risk has a high likelihood and high potential impact
- Developing action plans/procedural manuals to back up the training
- Providing appropriate training to staff to handle emergencies

Note 8

Damage to Brand

Associated with any and all risks identified in this document is the risk of a negative impact on the Calgary Housing Company brand. Whether the risk is financial, human resources related, related to an incident response or a change in program; there is always the risk of negative media or negative public relations if there is a perception we are not performing as expected. Proper attention to communications and issue management must be embedded in CHC's strategy to mitigate any and all risks associated with dissatisfied clients or miscommunications, including litigation or revenue reductions.

Management Mitigation Strategy

Risk to reputation is inherent in most identified risks. However, this risk is reduced as compared to last year with the recruitment of two professional communications staff. CHC is creating a Strategic Communications Plan and issues management procedures. CHC is now incorporating consideration for maintaining a positive reputation in all decision making processes.

Note 9

Recruitment & Retention of Staff

To provide strong customer service and operate efficiently and effectively, staff recruitment, development and retention is very important. CHC faces challenges in these areas as the market to hire qualified

professionals is very competitive and there is a shortage of skilled labour. In addition, recent proposed pension reform has created uncertainty in the public sector.

Management Mitigation Strategy

CHC is developing strategies to engage the workforce, including staff training and development. The organization has restructured to support career paths that offer individuals an opportunity to progress and acquire a range of positions that will offer more challenges, improved skills, and more career choices and options.

As a result, CHC has seen a decline in staff turnover in 2013, however; the competition for skilled labour is strong.

In addition and worth noting, CHC is working on the following processes to reduce its human resource related risk:

- Improved training opportunities
- Standardizing all processes(e.g. business process review project)
- Gaining and sharing knowledge
- Creating a sense of loyalty and establishing a sound organizational culture
- Rewarding achievements and excellence

Note 10

Ageing Assets

Approximately 80% of the existing CHC housing stock is in the age range of 20 to 40 years with about 10% of the units older than that. As the portfolio ages, life cycle maintenance needs to be appropriately identified, funded and implemented or there will be an increased risk of service levels not being met or the lifespan of the housing stock being reduced. As well, construction methods and materials incorporated in older housing stock can either represent an environmental or health risk if inappropriately managed or a financial risk due to energy inefficiency.

Management Mitigation Strategy

By implementing the building condition assessment program described in the "Reserve Fund" risk category, CHC is implementing a program of identifying lifecycle funding requirements for the Calhome owned and City owned portfolios. Development of a hazardous substance database has been initiated and ongoing identification and monitoring of these substances will be maintained to successfully manage this risk.

Note 11

Occupational Health and Safety

Occupational health and safety risks exist in every company, including CHC. This risk was lowered from last year because The City has restructured OHS under one umbrella, thereby increasing CHC linkages to The City's OHS system. In addition, CHC has completed considerable foundational work in OHS, including multiple safety training sessions for staff. Provincial legislation has strengthened accountability requirements for supervisors and management.

Management Mitigation Strategy

CHC has a multi-faceted health and safety plan in place, and CHC management is strongly committed to promoting this program. CHC is taking the following steps to ensure occupational health and safety compliance:

- Developing and documenting all legal processes
- Performing compliance assessments and workplace inspections on a regular basis
- Conducting appropriate training programs
- Developing and maintaining a culture of safety and safety awareness at the organization level

Note 12

Data Security

CHC is exposed to various data security risks like viruses, lost flash drives and inappropriate communication of confidential information. The FOIP Act protects an individual's privacy by setting out rules for collection, use or disclosure of personal information by public bodies. It also provides a method of requesting access to information which is not available by other means.

The FOIP Act applies to all records in the custody and control of CHC and as a result creates many obligations on CHC's behalf. This risk has been reduced as compared to last year because of educating CHC staff on FOIP training and regulations.

Management Mitigation Strategy

CHC is a part of the City's network system and as a result is protected against viruses/etc and other associated risks. CHC has a system of document control and compliance for FOIP. CHC has adopted the City of Calgary Information Security Classification and Control Policy which limits the dissemination of information to a need only basis. Additionally, CHC also provides education and training to all staff on the provisions of the act and stays current on all revisions. Some procedures that have been adopted by CHC are as follows:

- Providing better means of security by appropriate usage of technology compliance
- Securing the access to information by proper authorization and authentication procedures
- Providing FOIP training

Note 13

Housing Access Link (HAL) Implementation

CHC is implementing a new Provincial sponsored software platform throughout the company. CHC and the Province are taking all necessary preparatory steps including extensive planning, training, and consultation. However, there is always the risk to CHC of loss of data, potential training issues, data integrity problems, and/or overall failure of the software to meet our needs with the resulting inability of CHC to deliver safe affordable housing to its tenants. This risk, however, is reduced from last year as there are provincial delays in project implementation. This risk will be re-evaluated for 2015 based on CHC readiness at that time. The IT co-ordinator is now directly linked to the Provincial implementation team and is leading other housing agencies in data migration. Thorough consultation with subject matter experts (SMEs) and auditors has been done to identify the data migration requirements and needs. However, data must be cleansed and processes clarified to prevent transferring bad data into HAL. Timely information on progress is being provided to all staff through myCHC (CHC's intranet website).

Management Mitigation Strategy

CHC is in the process of preparing for efficient implementation of the new HAL system and has taken the following steps:

- Providing representatives to the Provincial Steering Committee and Implementation Team
- Webinars and electronic updates to educate staff on the new system
- Formation of internal working committees to discuss and address all requirements
- Involvement in the Phase 1 implementation pilot to prepare CHC for implementation in Phase 2
- Discussion and confirmation of all technical and support requirements during and after the system implementation
- Developing a comprehensive and effective Change Management Plan.