

# **CALGARY CONVENTION CENTRE AUTHORITY**

## **2017 AUDIT GOVERNANCE OVERVIEW REPORT**

## **City of Calgary/Calgary Convention Centre Authority Mandate and Responsibilities:**

To manage, market and operate the Calgary TELUS Convention Centre in an efficient and market-competitive manner in order to maximize overall economic benefits to the City of Calgary while maintaining financial performance within an acceptable range.

The Calgary TELUS Convention Centre (CTCC) is owned by the City of Calgary and operated by the Calgary Convention Centre Authority (CCCA) that was incorporated through an Act of the Legislative Assembly of Alberta in 1974. The CCCA operates the facility on behalf of the City under the terms of the mandate passed by City Council in 2005.

Pursuant to the Glenbow Museum Agreement signed in 1973, the CCCA entered into an agreement with the City to provide maintenance, repairs, cleaning and janitorial services to the Glenbow Museum. The CCCA also provides maintenance and repairs to the retail spaces, which are owned by the City in the North Building. Through an agreement between the City and Balboa Land Investments Inc. signed in 1999, the CCCA operates and maintains the shared loading dock in the North Building. A Food and Beverage Services Agreement issued by the City of Calgary gives the exclusive rights to all food and beverage services in the CTCC to the attached hotel (currently the Calgary Marriott). The CCCA has a contractual agreement with the Calgary Hotel Association (CHA) whereby the CCCA manages destination sales and marketing services for the meetings, conventions and incentive travel sector. Through a joint agreement among the City, the CCCA and TELUS, the CCCA manages the TELUS Naming and Business Rights contract.

## **Calgary TELUS Convention Centre Vision Statement**

The Calgary TELUS Convention Centre is Calgary's meeting place which brings the community together in a central hub to connect, learn, innovate, celebrate, support and grow.

The Calgary TELUS Convention Centre connects Calgary with the global community; leveraging our assets to create opportunities that influence the lives of Calgarians and Canadians.

### **1. Governance Structure, Succession Planning and Recruitment Process:**

The CCCA is comprised of eleven members including the Mayor, one Councilor and one member of City administration.

Community members can serve up to two full terms of four years each, which are staggered to ensure continuity. No community member may serve more than 10 years in total. With the exception of the Mayor, City of Calgary representatives are appointed for a 1-year term. When new board members are to be recruited, a set of selection criteria is developed and a recruitment firm is hired to assist with the recruitment of new members and a Selection Committee of the Board is established. The names of two candidates for each board position are then sent to the City for its Nominations process once the Board has approved the names. At the same time, the Chair meets with each board member to ensure that he/she wishes to continue their commitment and to define any specific interests they may have. Where members are seeking a second term, those names are forwarded to the City to be part of its Nominations Process in October. In 2017, we successfully recruited a highly regarded and experienced finance professional, who now chairs the Audit and Finance Committee.

The Chair was re-elected for 2018/19 by the Board in late 2017, with the Vice-Chair and Committee Chairs confirmed at the same time. The first full terms of three current Board members will be ending in 2018. The Chair has confirmed that each member wishes to continue for a second term. As each of those members has the requisite skills identified in the Board skills matrix, work is underway to present their names for reappointment to the Board by the City in October.

In addition, the Governance and Human Resources Committee ensures that the CEO has a succession plan for himself and all senior executive.

### **2017 Financial Highlights:**

- Operating Surplus transferred to reserve fund (\$596,765).
- Building Improvements funded by operating reserve (\$1,665,022), Major Replacement Reserve (\$174,912) and CPRiiPS grant (\$1,336,716).
- In Q3, the CTCC began to see an uptick in activity as the economy began to slowly pickup.

### **2018-2019 Strategic Initiatives**

- |                                  |                              |
|----------------------------------|------------------------------|
| 1. Increase Global Markets       | 4. Improve Client Experience |
| 2. Develop a Community Hub       | 5. Grow Economic Impact      |
| 3. Develop New Lines of Business |                              |

### **2018-2019 Goals**

- |                           |                                   |
|---------------------------|-----------------------------------|
| 1. 3 New Markets          | 6. 10 Advocacy Initiatives        |
| 2. 80% Renewal Rate       | 7. 1 Million Social Media Views   |
| 3. 12 Rejuvenations       | 8. 10% Increase in Occupancy Rate |
| 4. 10 Recoveries          | 9. Partner on 5 New Events        |
| 5. 7% Increase in Revenue | 10. Grow the Team                 |

## **2. Key Operating + Strategic Risks Including Trends and Risk Management Plans and Processes:**

The Calgary TELUS Convention Centre (CTCC) maintains a City approved comprehensive risk management system, overseen by the Calgary Convention Centre Authority (CCCA) Board of Directors. Organizational risks are identified, quantified and risk ranked. Appropriate mitigation measures are put in place and monitored for effectiveness. The board reviews the overall status of the identified risks annually with management and the top risks are reviewed in detail. At the June 2017, Board meeting, the Board reviewed current risks and mitigation plans. In November, the Board discussed strategic organizational risk as part of its annual strategic planning retreat.

In the June 2017 Board meeting, a special Board Task Group was struck to investigate current best practices for Enterprise Risk Management (ERM). The Group used various resources in its review, including participation in workshops for the Institute of Corporate Directors and a review of the City's Integrated Risk Management System. The Task Group recommended enhancements to the CTCC's existing risk management system to align it with current best practices for ERM. To support its overall responsibility for risk, the Board has directed management to develop a plan to address these recommendations in 2018, under the following framework:

## Primary Oversight

Board	Management	Audit Committee	Management	HR Committee
<b>Strategic</b> <ul style="list-style-type: none"> <li>• Competition</li> <li>• Reach</li> <li>• Disruptive Technologies</li> </ul>	<b>Operational</b> <ul style="list-style-type: none"> <li>• Safety</li> <li>• Execution</li> <li>• Cost Management</li> </ul>	<b>Financial</b> <ul style="list-style-type: none"> <li>• Financial Statements</li> <li>• Liquidity</li> <li>• Capital</li> <li>• Tax</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>• Privacy</li> <li>• Information Security</li> <li>• Corporate Social Responsibility</li> </ul>	<b>Human Resource</b> <ul style="list-style-type: none"> <li>• Succession</li> <li>• Talent Management</li> <li>• Compensation</li> </ul>

### 3. Analysis of Top Three Financial and/or Operational Risks to Impact City of Calgary/Audit Committee:

1. The Calgary TELUS Convention Centre's south building was built in 1974 and the north building in 2000, at which time some of the south building was updated. The buildings have been well maintained over the years by the Calgary Convention Centre Authority, however, given the advances of technology and the way that people convene, the Centre needs to be rejuvenated. We have built a plan for renovation and rejuvenation of the CTCC in order to better service Calgarians and out of town delegates.
2. Hotels and other venues have increased their capacity to host events. This has increased competition for a variety of available meeting space in our community. We have re-developed our business strategy to stay competitive in this market. This strategy also allows us to differentiate our offering to international groups.
3. Decline of Economy:  
The beginning of 2017 was still a difficult economic climate. By Q3 2017, the Convention Centre began to see an uptick in activity as the economy began to slowly pick up. Our Q3 and Q4 were stronger than Q1 and Q2 but not enough to increase delegate numbers. Our new leadership structure was completed in Q3 and our new strategy began implementation in late 2017. The results of our new strategic direction will be more evident in 2018 and 2019 as we see the results of multiple strategic changes

### 4. An overview of Internal Controls including Technology and Systems at CTCC:

To counter cyber-threats and malicious intent from internal or external sources, the CTCC Information Technology department has implemented several different pieces of hardware and software, along with procedures. From the end-user perspective, an acceptable use policy is reviewed during new employee orientation before being granted access to the network and technology resources. Users are also educated on acceptable technology use and threats to electronic devices, potential malware and viruses.

The infrastructure and disaster recovery plan has several layers of policy and procedure in place. These procedures are detailed in our Disaster Recovery Plan, which is a living document, continually modified when necessary changes occur.

Security audits are performed with the help of a third party consulting firm every 2 years. As part of our audit in the past year, TELUS helped with the discovery and testing of different advanced protection systems for our requirements. That discovery has helped us to install dual Palo Alto PA-850 next generation firewalls to protect our environment, reduce our threat profile and test for malicious attacks and threats to the CTCC IT infrastructure. In combination with the next generation firewalls, we have deployed Palo Alto TRAPS, an advanced endpoint protection system to stop threats from ransomware, malware, exploits, and evasions. NSS Labs (an Advanced Endpoint Protection research and advisory group) has rated it a recommended rating, the highest NSS Labs offers. Traps blocked 100% of the threats with zero false positives.

## **5. Summary of the 2017 External Auditor Report to the Calgary Convention Centre Authority:**

On the recommendation of the CCCA Audit + Finance Committee, the Board appointed Deloitte for the 2017 audit services.

### **Audit Conclusions:**

- An unqualified opinion was issued on the financial statements;
- No significant weaknesses in internal control were identified;
- No illegal or fraudulent acts, or significant transactions inconsistent with ordinary business, were identified;
- No unusual related party transactions were identified;
- No disagreements with management, limitations placed on scope, or other difficulties were encountered during the audit;
- There were no corrected or uncorrected misstatements noted for the audit of the December 31, 2017 financial statements.

### **Results of Operations:**

Our total revenue for the fiscal year 2017 was \$21,023,994, which included a City of Calgary grant of \$1,878,171. In addition, the Centre received \$2,493,875 from the Calgary Hotel Association, which is restricted to supporting management of Meetings and Conventions Calgary. Total operating expenses were \$19,685,475 (before amortization).

In 2017, we had a surplus of \$596,765, which was moved into the operating reserve fund.

In 2009 the CCCA adopted the provisions of Section 3150 of the Public Sector Accounting Board handbook, which requires governments to record, and amortize their tangible capital assets on their financial statements.

At 2017 year-end, a total of \$14,618,912 in assets was recorded on the CCCA statement of financial position. This amount has been capitalized as renovations, building enhancements and equipment.

In 2017, the Authority incurred \$3,176,650 in expenditures for major capital additions, which have been capitalized as renovations, building enhancements and equipment. Of this amount, \$1,665,022 was funded by the Authority's operating reserve and \$174,912 was funded by the Authority's Major Replacement Reserve. \$1,336,716 was applied for and funded through the City's CPRiP (Culture Parks Recreation Infrastructure Investment Fund) Program for capital additions made in 2017.

**Calgary TELUS Convention Centre  
Capital Expenditures to December 31, 2017**

<b>Additions</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
CTCC South Building Washroom Finishes	-	15,903
North Loading Dock Overhead Doors	-	34,718
Green Room Update	-	8,215
South Building Ex Hall A Lighting Upgrade	-	8,960
Phase 2 Panel Migrations	-	119,347
Main Breaker Replacement S Bldg/Glenbow WIP @ YE2016	23,350	64,055
Glen 201-204 Lighting Dimming System Replacement	101,287	7,940
Exterior Doors & Skylights - WIP @ YE 2016	663,513	5,822
Carpets Replacement - WIP @ YE2016	771,693	13,750
Banquet and Meeting Chairs	1,253,768	-
In House Sound System Refresh \$150k	142,346	-
Public Spaces Audio \$38k	15,000	-
Building - Misc.	7,899	-
Security Equipment - Misc.	-	26,450.00
Communication Equipment - Misc.	4,480	-
Computers - Misc.	59,787	80,126
Event Services Equipment - Misc.	75,987	-
Kitchen Equipment - Misc.	-	30,217
Mechanical - Misc.	-	33,168
Office Equipment - Misc.	-	5,021
Shop Equipment - Misc.	31,424	-
Software - Misc.	26,117	10,800

Total Additions	<b>3,176,650</b>	<b>464,490</b>
<b>Disposals to date this year</b>		
Communication Equipment	12,325	-
Computer Equipment	57,482	26,274
Event Services Equipment	401,553	-
Renovations	541,134	
Software	218,095	-
	<b>1,230,589</b>	<b>26,274</b>
<b>Funding</b>		
Major Replacement Reserve	174,912	226,836
City of Calgary - CPRiPs	1,336,716	656,867
Operating Reserve	1,665,022	437,038
	<b>3,176,650</b>	<b>1,320,741</b>

\*Note that \$856k was reclassified at year- end 2016 into 2017, funding for the projects via CPRiPs had been submitted before adjustment and was recorded in 2016.

6. Audit Committee 2018 Work Plan

<b>CCCA Audit &amp; Finance Committee 2018 Work Plan</b>	
<b>Date</b>	<b>Topic</b>
Quarter 1	2017 4 <sup>th</sup> Quarter Financials
Quarter 2	2017 Audit (Deloitte Presentation) Recommendation of appointment of external auditor 2018 1st Quarter Financials
Quarter 3	2018 2nd Quarter Financials

Quarter 4

2018 Audit Service Plan Presentation, Deloitte

2018 3rd Quarter Financials

2019 Budget & Business Plan

\*Risk Management Reporting presented at full board meetings annually