

**CALGARY CONVENTION
CENTRE AUTHORITY**

**2018 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). The CCCA 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, 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 until 2039). 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.

Governance Structure, Succession Planning and Recruitment Process:

The CCCA is comprised of eleven members that consists of the Mayor, one Councilor, one member of City administration and eight electors. The Board as a whole appoints the Chair. There are two standing committees; Audit & Finance, and Governance and Human Resources (GHRC). In addition, the Board at times appoints task groups to undertake specific work as deemed appropriate. The Board undertakes two evaluations each year; Director Evaluation of Board Conduct and Effectiveness, and Board Member Skills Matrix. The evaluations are conducted by the GHRC and the results and analysis are presented to the Board. The evaluations have proven to be critical in ensuring that the board and its work are kept at a high standard. In addition, the skills matrix allows the Board to identify potential new skills specifically required to govern new strategic directions.

The CCCA identifies current challenges and those that lie ahead and the corresponding leadership qualities that is needed to navigate the challenges successfully. The GHRC considers board succession, taking into consideration the desired composition of the board; the strengths, skills and experience of current directors; expected retirement dates; and the strategic direction of the CCCA. This information is communicated through appropriate channels to assist the City in selecting appropriate directors for the CCCA. There are three board members whose membership terms will expire in 2019.

Community members can serve up to two full terms of 4-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, the City of Calgary representatives are each appointed for a 1-year term. If a member is not able to continue for a full term, he/she formally resigns from the Board and the GHRC consults the skills matrix and a list of existing potential Board candidates and recommends a replacement to fulfill the rest of the term. If there are no suitable candidates on the list, a recruitment firm is contracted to assist with recruitment.

The Board focusses first on having community members with the requisite skills to govern the organization and its strategic plan. While there is no specific diversity policy in place, we strive for gender parity via a 50/50 mix of male and female members, as well as a cultural and demographic mix.

2018 Financial Highlights:

Operating surpluses are transferred to the reserve fund. \$28,630 was transferred in 2018, and \$1,195,317 funded capital expenditures
Building Improvements funded by operating reserve (\$1,195,317), CPRiPS grant (\$953,796) and \$427,115 by capital lease.
Total economic impact from hosting 303 events including corporate town halls, local meetings, fundraising galas, and international and national conventions and conferences was \$133.8 Million

2019 Strategic Initiatives:

- Develop Strategic Markets
- Activate Convention District
- Develop Additional Lines of Business
- Deliver Customized Client Experiences
- Drive Economic Impact

Key Operating + Strategic Risks Including Trends and Risk Management Plans and Processes:

The top three operating risks identified in 2018 were the continuing economic downturn, global competition and upgrading and repairing of the City-owned infrastructure. One important strategic risk identified is the changing demand matrix for global meeting and convention planners. A second strategic risk identified is the lack of an updated Memorandum of Understanding between the CTCC and BMO Centre, which would outline the unique capabilities of each facility and define our respective roles in the attraction and servicing of meetings, exhibitions and conventions in Calgary.

Risk Management has been an area of key focus for the CCCA in 2018. Under the guidance of the CCCA Audit & Finance Committee, AON Global Risk Consulting was engaged to support the Executive Team in developing the right Enterprise Risk Management Program as it pertains to the CTCC.

Key risk management activities were establishing the risk maturity index, risk identification and assessment. Based on the AON Risk Maturity Index, the CTCC is above the industry average level of

risk maturity. On a 1- 5 scale of Risk Maturity CTCC scored a 3.5. AON verified that this is a very favorable position, as the global average among all industries is 2.0.

The CCCA receives updates on regulatory, operational, Human Resources/Health & Safety, Strategic/Business continuity and financial reporting at the committee and full board meetings regularly.

Analysis of Top Three Financial and/or Operational Risks that would impact City of Calgary and be of concern to the City's Audit Committee:

- 1) Changing global demand for meetings and conventions
 - a. The global market for conventions is changing rapidly and could impact our city dramatically. In a positive way if we are proactive; negatively if we are not.
 - b. Having world-class facilities is only one element to the success of a Tier 1 convention city. Hotels, airlift, pageantry and local transportation all impact this status.
 - c. The City Audit committee should be aware of, and support positioning Calgary to be effective in the changing and growing global marketplace.
- 2) Age of south building
 - a. Opened in 1974 as Canada's first purpose-built convention centre, the south building of the CTCC requires constant maintenance and upkeep. CTCC's team of engineers and maintenance professionals are currently managing this effectively.
- 3) Economy
 - a. With the continued economic downturn, Calgary's downtown core is in a depleted state. Support for the CTCC's District Strategy will allow the CTCC to drive prosperity by developing and attracting strategic events into the city's downtown. In turn, this supports businesses and jobs while protecting and building the city's tax base.

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

Besides a constant lookout via our firewall and antimalware/antivirus software, we use a next-generation layer 7 appliance that combines machine learning, cloud technology, and artificial intelligence, and advanced endpoint protection software along with our anti-spam email filter. As per previous years, the infrastructure and discovery plan are living documents and continually modified as changes occur. Security audits are performed with the help of a third party consulting firm every 2 years.

In 2018, our risk mitigation involved the addition of policies surrounding GDPR (the EU General Data Protection Regulation) that stipulates regulations and requirements surrounding the capture and storage of personal information. As this fundamentally reshaped the way in which data is handled across all sectors, the CTCC IT and Marketing teams performed due diligence in adding data controls, data capture and storage policies, and took steps to ensure our compliance with respect to GDPR. These steps included identifying the CTCC Information Privacy Officer, auditing the data already stored, identifying all data sources, creating privacy rules and policies around data minimization, purpose and storage limitation, and ensuring data integrity and confidentiality. The CTCC websites have been updated to reflect express consent for the collection of anonymized metrics data.

Summary of the 2018 External Auditor Report to the Calgary Convention Centre Authority:

On the recommendation of the CCCA Audit + Finance Committee, the Board appointed Deloitte for the 2018 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, 2018 financial statements.

Results of Operations:

Our total revenue for the fiscal year 2018 was \$22,979,195, which included a City of Calgary operational grant of \$1,761,309. Total operating expenses were \$21,466,959 (before amortization). In 2018, we had a surplus of \$28,630, 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 2018 year-end, a total of \$17,195,139 in assets was recorded on the CCCA statement of financial position. This amount has been capitalized as renovations, building enhancements and equipment.

In 2018, the Authority incurred \$2,576,228 in expenditures for major capital additions, which have been capitalized as renovations, building enhancements and equipment. Of this amount, \$1,195,317 was funded by the Authority's operating reserve and \$0 was funded by the Authority's Major Replacement Reserve. \$953,796 was applied for and funded through the City's CPRiiP (Culture Parks Recreation Infrastructure Investment Fund) \$427,115 was funded by capital lease.

In addition, the Centre stewarded \$2,493,850 from the Calgary Hotel Association, which was restricted to supporting management of Meetings and Conventions Calgary.

Calgary TELUS Convention Centre

Capital Expenditures to December 31, 2018

Additions	December 31, 2018	December 31, 2017
Main Breaker Replacement S Bldg/Glenbow	4,050.00	23,350
Glen 201-204 Lighting Dimming System Replacement	150.00	101,287
Exterior Doors & Skylights - WIP @ YE 2016	125,358.77	663,513
Carpets Replacement - WIP @ YE2016	56,197.60	771,693

Banquet and Meeting Chairs	-	1,253,768
In House Sound System Refresh \$150k	7,902.27	142,346
Rejuvenation Projects Telus 111 \$91k	32,648.40	-
Public Spaces Audio \$38k	-	15,000
Rejuvenation Projects Ideation Chinook 4 \$72k	7,632.53	
Rejuvenation Projects Ideation Chinook 1 \$57k	13,657.69	
Rejuvenation Projects Ideation Chinook Foyer \$37k	1,303.80	
Rejuvenation Projects Telus 112 \$37k	11,396.58	
Rejuvenation Projects Glen 210 \$113k	68,199.60	
CPRiiPs Projects 2018 Phone System Replacement \$150k	134,460.26	
CPRiiPs Projects 2018 Breaker Replacement South Building \$250k	86,352.40	
CPRiiPs Projects 2018 Loading Dock Expansion Joint \$75k	53,900.00	
CPRiiPs Projects 2018 North Building Lighting Control System \$300k	320,855.00	
CPRiiPs Projects 2018 Security CCTV / Access Upgrade \$170k	518,235.05	
CPRiiPs Projects 2018 North Building Ceiling and Fixtures \$70k	57,662.71	
Rejuvenation Projects Arts Commons +15 Walkway	26,287.66	
CPRiiPs Projects 2018 Dishwasher Replacement \$290k	281,964.50	
Building - Misc	201,003.58	7,899
Security Equipment - Misc	10,584.03	-
Communication Equipment - Misc	-	4,480
Computers - Misc	77,570.84	60,780
Event Services Equipment - Misc	11,081.46	74,994
Event Services Equipment Under Capital Lease	385,747.59	-
Housekeeping equipment - Misc	3,600.43	-
Housekeeping equipment Under Capital Lease	41,366.94	
Shop Equipment - Misc	-	31,424
Software - Misc	37,058.18	26,117

Total Additions	2,576,228	3,176,650
Disposals to date this year		
Communication Equipment	-	(12,325)
Computer Equipment	-	(57,482)
Event Services Equipment	-	(401,553)
Renovations	-	(541,134)
Software	-	(218,095)
	-	(1,230,589)
Funding		
Major Replacement Reserve	-	174,912
City of Calgary - CPRiPs	953,796	1,336,716
Leased	427,115	-
Operating Reserve	1,195,318	1,665,022
	2,576,228	3,176,650

1. Audit Committee 2019 Work Plan

CCCA Audit & Finance Committee 2019 Work Plan

Date	Topic
Quarter 1	2018 4 th Quarter Financials
Quarter 2	2018 Audit (Deloitte Presentation)
	Recommendation of appointment of external auditor
	2019 1st Quarter Financials

Quarter 3 2019 2nd Quarter Financials

Quarter 4	2019 Audit Service Plan Presentation, Deloitte
	2019 3rd Quarter Financials
	2020 Budget & Business Plan

*Risk Management Reporting presented at full board meetings annually