

2025 CORPORATE STRATEGIC RISKS

Recommendation

That the September 4, 2024, Financial and Corporate Services report FCS02497, be received for information.

Requested Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	N/A		
City Plan Values	THRIVE, CREATE, INNOVATE		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the Corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • C587 Enterprise Risk Management Policy • C203D Debt Management Fiscal Policy 		
Related Council Discussions	<ul style="list-style-type: none"> • November 30, 2023, Financial and Corporate Service report FCS01975, Annual Corporate Strategic Risk Profile • November 1, 2023, Urban Planning and Economy report UPE01816, Climate Strategies Update 2023 		

Executive Summary

- The report highlights the City of Edmonton's annual Corporate Strategic Risk Profile.
- Enterprise risk is assessed annually to ensure the City can respond, avoid, prepare for and mitigate risks effectively while finding opportunities to achieve its goals.
- Regular and transparent risk reporting to City Council through the Audit Committee is part of City Policy C587A - Enterprise Risk Management.
- Risks were identified and scored with input from Administration leadership and subject matter experts, focusing on trends from global studies. For 2025, 20 strategic risks are registered and classified into the eight risk categories defined by the City's Enterprise Risk Management (ERM)

2025 CORPORATE STRATEGIC RISKS

Framework. Risks rated as high and medium-high based on their likelihood and potential impact are then grouped into four key themes for strategic focus:

- Economic Prosperity and Financial Constraints: Concerns over financial pressures from inflation, reduced government funding and declining non-residential tax base. Mitigation includes advocacy for innovative funding models and strategic partnerships.
- Environment and Climate Change: Severe climate risks face the City, like extreme weather and rising costs due to climate impacts. Mitigation involves advancing City climate strategies and collaborating on emergency management.
- Infrastructure and Technology: Aging infrastructure and digital vulnerabilities pose risks to service levels and cybersecurity. The City plans to prioritize renewal investments and improve technology security through prudent asset management.
- Public Sphere: Social support and safety demands are growing, with the added risk of misinformation/disinformation posing a threat to public trust. The City aims to enhance community safety and well-being collaboration and provide accurate information to address these challenges.

REPORT

The annual Corporate Strategic Risk Profile (Attachment 1) provides a high-level summary of the key risks that impact the City of Edmonton's ability to reach its strategic goals, outcomes and service-level commitments. The strategic risks are considered in relation to the City's goals outlined in ConnectEdmonton, The City Plan and the Corporate Business Plan. Enterprise Risk Management is a key element of the City's Strategic Planning Framework and supports the integrated business planning and budgeting approach.

The City continues to improve its Enterprise Risk Management processes and reporting. To prepare for 2025, strategic risks were identified, evaluated, scored and reviewed in consultation with Deputy City Managers, Branch Managers and Enterprise Risk Management Committee members made up of internal subject matter experts.

The risk scoring methodology includes the review of environmental scans and external trend analysis. Scoring is designed to incorporate expertise and diversity of experience to reduce bias, as individual leaders may over or undervalue their priorities and risks when analyzing their own business area.

Environmental Scan and Trends

Global industry-based studies are referenced for trend analysis. For risk identification and assessment, the following sources of information are used to provide context for understanding risks and emerging trends:

- The World Economic Forum Global Risks Report¹,
- The Institute of Internal Auditors Risk in Focus Global Summary² and
- Discussion and analysis with internal subject matter experts.

¹ World Economic Forum, The Global Risks Report 2024, January 2024 <https://www.weforum.org/publications/global-risks-report-2024/>

² Institute of Internal Auditors, 2024 Risk in Focus Survey Results Global Summary

<https://www.theiia.org/globalassets/site/foundation/latest-research-and-products/risk-in-focus/risk-in-focus-global-summary.pdf>

2025 CORPORATE STRATEGIC RISKS

The Environmental Scan for strategic risks and key findings from these three sources is outlined in Attachment 2.

The World Economic Forum and the Institute of Internal Auditors provide a thorough analysis of global risks based on surveys of risk experts and business leaders across corporations, governments and not-for-profits. The reports provide insights into the likelihood and impact of various risks, helping organizations understand potential threats and opportunities on a global scale.

The World Economic Forum report identified that environmental risks are among the most severe risks over the next two years and will continue to be the significant long-term global risks for the next 10 years. Inflation and economic downturns also continue to be concerns. Meanwhile, misinformation/disinformation and the adverse impact of artificial intelligence are risks that can shift public opinion and erode trust in authority.

The Institute of Internal Auditors Risk Report identified the need to focus on cybersecurity, digital disruption, human capital and business continuity while preparing for the rising challenges posed by digital disruption and climate change.

Summary of Key Risk Themes and related Mitigations and Opportunities

Each year, the existing corporate strategic risks are evaluated by the City's departmental leadership teams, the Enterprise Risk Management Committee and the Executive Leadership Team. This assessment utilizes a scoring system that considers the impact, frequency, and likelihood of each risk and its associated events.

Nineteen risks were registered for 2024. Some risks were consolidated due to similarities and overlap and three new risks were introduced, resulting in a total of 20 strategic risks for the year 2025, as outlined in Attachment 1. No risks were removed. The three new added risks are: insufficient non-residential tax base growth, political uncertainty at the provincial and federal level, and the spread of misinformation and disinformation.

For the risks that score high in terms of likelihood and impact (as shown in Attachment 1: 2025 Corporate Strategic Risk Register and Heat Map) are summarized into four overarching themes:

- A. Economic Prosperity and Financial Constraints
- B. Environment and Climate Change
- C. Infrastructure and Technology
- D. Public Sphere

A. Economic Prosperity and Financial Constraints

The City of Edmonton has identified and is monitoring a number of risks in the financial and economic categories due to external factors such as inflation. New regulatory requirements and reduced flexibility in grants and transfers from other levels of governments are impacting the stability and predictability of the City's revenues. Another risk is Edmonton's declining non-residential tax base, which raises the tax rate differential between Edmonton and the surrounding region and places a greater financial burden on taxpayers. This can lead to increased

2025 CORPORATE STRATEGIC RISKS

costs of doing business in Edmonton and may drive non-residential growth to neighbouring areas with lower tax rates.

High costs of the goods and services purchased by the City strain the operating and capital budgets, restricting the City's ability to meet public service expectations. Residents are also paying higher costs of goods and services, limiting their tolerance for tax increases to fund services. At the same time, a decrease in capital funding available for infrastructure projects is contributing to declining asset conditions and higher maintenance costs for the City's physical assets. Aging infrastructure and fleets add to operating costs, which impacts service levels as more funding is required for maintenance.

Mitigation and Opportunities

Mitigating these risks requires a multi-faceted approach including:

- Continued financial controls, monitoring and prioritization in capital projects help ensure that operating costs of capital are reasonably predictable. Further information regarding financial challenges and Administration's actions to address them is available in the August 14, 2024 Financial and Corporate Services report FCS02478 Financial Stability: Addressing Budget and Growth Challenges and the upcoming October 9, 2024 Financial and Corporate Services report FCS02218 Capital and Operating Funding Shortfall Analysis.
- A prioritized approach to renewal investment and funding is essential, along with strengthening the connection between growth, renewal, operations and maintenance planning. The City has a Risk-based Infrastructure Management System (RIMS), and integrated corporate asset management and capital budgeting to mitigate this risk.
- Actively engaging in intergovernmental advocacy, relationship building and consultation with other orders of government to address key funding needs by focusing on areas where the City's priorities align with broader national and provincial objectives.
- Seeking opportunities for alignment with Edmonton community partners, industry partners, other municipalities and municipal associations through Council member representation on various boards and engagement by Administration.
- Advocating for innovative funding models that include capital infrastructure lifecycle costs, in addition to planning and design, and construction costs. This includes advocating for the development of (allocation-based) funding formulas that consider not only population, geographic location and "need", but also a municipality's volume, condition and user levels of capital infrastructure.
- Attracting more non-residential development within city boundaries is critical; this can be achieved through land-use planning, making non-residential serviced land available in greenfield areas and reducing the cost of doing business in Edmonton. Administration is aware of the criticality of non-residential development and this work is underway as outlined in the June 19, 2024 reports Budget Update - Non-residential Tax Base Growth Challenges (Financial and Corporate Services report FCS02483) and the

2025 CORPORATE STRATEGIC RISKS

Industrial Investment Action Plan - 2024 Update (Urban Planning and Economy report UPE01548).

- It is necessary to evaluate and understand the tax base implications of planning and development changes to integrate and engage with City service areas effectively. District Planning and the Zoning Bylaw Initiative are positioned to streamline land use policy and regulations. District plans offer greater efficiency by reducing the need for plan amendments, particularly in developed areas, through the repeal of plans and broader land use categories.
- Zoning Bylaw Renewal Initiative targeted business-friendliness through the creation of more flexible zones and broader use classes, which allows new businesses to more easily find appropriate locations, and for existing businesses to expand their business model without the potential need for additional permitting or rezoning. Changes were also made to industrial zones to recognize modern industrial needs - allowing some limited supporting uses and activities while recognizing the primacy of industrial uses to protect the viability of these lands for future industrial development.

B. The Environment and Climate Change

The impacts of climate change are becoming more severe and widespread every year. In 2023 the Intergovernmental Panel on Climate Change³ found that as global greenhouse gas emissions increase, more widespread climate extremes are expected.

The 2023 Canadian wildfire season was the most destructive ever⁴. Wildfire smoke impacted the Edmonton region's air quality, producing 48 recorded days⁵ of high to very high Air Quality Health Index levels. Edmonton also experienced 16 extreme heat warnings.⁶ Edmonton's 2022 greenhouse gas emissions results show that its Energy Transition Strategy targets will not be achieved if the current trajectory persists (November 1, 2023, Urban Planning and Economy report UPE01816, Climate Strategies Update 2023).

An Edmonton-specific study finds that climate change could cause direct annual costs to the City of approximately \$1 billion by the 2050s, and up to \$4 billion by the 2080s⁷. The research indicated that in the long term, the scale of potential climate impacts and required investments may overwhelm Edmonton's ability to adapt.

The 2024 World Economic Forum Report identified the following climate-related risks as the top

³ IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. A Report of the Intergovernmental Panel on Climate Change. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, 36 pages.

⁴ Natural Resources Canada, Science and Data, Canada's record-breaking wildfires in 2023: A fiery wake-up call Climate change Forestry and insects Natural hazards [website], <https://natural-resources.canada.ca/simple-science/canadas-record-breaking-wildfires-2023-fiery-wake-call/25303>, (accessed July 22, 2024).

⁵ Government of Alberta, Alberta Environmental Public Health Information Network [website], <http://aephein.alberta.ca/airqualityindex/>, (accessed July 22 2024).

⁶ Government of Alberta, Alberta Environmental Public Health Information Network [website], <http://aephein.alberta.ca/heatwarnings/>, (accessed July 22 2024).

⁷ Boyd, R. 2022. Costs of inaction: Economic impacts of climate change on Edmonton.

2025 CORPORATE STRATEGIC RISKS

four global risks over the next decade: extreme weather events; crucial changes to Earth systems; biodiversity loss and ecosystem collapse; and natural resource shortages.

Mitigation and Opportunities

In 2023, Administration established the Executive Leadership Team's Climate Task Force. This task force is working across the organization to advance the City's two climate strategies: the Energy Transition Strategy and the Climate Adaptation Strategy. These strategies aim to reduce greenhouse gas emissions and help the city adapt to climate change risks and impacts.

Implementation of the climate strategies is ongoing, including actions to reduce greenhouse gas emissions and transitioning the City's operational electrical use to renewable sources through energy contracts. Additionally, the City is working on the District Energy Strategy and climate action programs to reduce community greenhouse gas emissions and prepare for the effects of a changing climate. Administration plans to complete a review of the City's climate strategies by 2026, which will take into account the latest scientific information on climate change and may include recommendations for adjustments to actions.

In 2024, the City's Emergency Support Response Team again supported wildfire evacuees throughout the summer. Further collaboration and shared responsibilities with provincial and federal governments, as well as not-for-profits, will be essential for future emergency management support. A review of the Office of Emergency Management is underway to assess the structure and approach that will support Edmonton's growing population and changing demands for climate-related emergencies.

C. Infrastructure and Technology

The City of Edmonton has identified and is monitoring a number of risks associated with: Infrastructure and Assets; and Information Systems and Technology.

Current levels of capital funding are insufficient to meet renewal requirements resulting in deteriorating asset conditions, higher maintenance costs, potentially higher future capital costs and challenges in meeting current service levels. Climate change also impacts City assets.

The challenges extend to the City's technology assets impacting the ability to replace, upgrade, and maintain aging digital infrastructure assets. This can lead to cybersecurity vulnerabilities, increased operational costs and declining public service quality. Malicious actors in the digital environment employ the most up-to-date technology, including artificial intelligence, to find vulnerabilities in organizations' application and hardware architecture. Mitigating this threat requires investment in the right skills, tools and resources.

Mitigation and Opportunities

To address these risks, financial controls, monitoring and capital project prioritization are essential, alongside adherence to the City's Debt Management Fiscal Policy (C203D). The City continues to ensure that operating impacts of capital are effectively determined through long-term integrated business planning for allocating and prioritizing resources. With the existing prioritized approach to renewal investment, coupled with a district-level planning approach that

2025 CORPORATE STRATEGIC RISKS

aligns investment with The City Plan growth goals, the City will maintain its strong connection between growth, renewal, operations and maintenance planning. With the inventory of assets requiring capital renewal, Administration is exploring options with Council to develop dedicated renewal funding allocations from property taxes, which will help to improve long-term renewal planning, and alleviate pressure on the corporate funding pool to keep up with the growing demands for capital renewal investment.

For technology, it will be necessary to incorporate application renewal and funding improvements. This will ensure appropriate security measures are in place to address required security standards and best practices. Preparing contingency plans to ensure continued service delivery in the event of a cyberattack or other disruption is another vital mitigating action.

Comprehensive asset management, renewal programs and climate risk assessments are necessary to mitigate these risks. Employing proven/modern technology to enhance infrastructure longevity and climate resilience planning will help these efforts. The Technology Investment Governance structure aligns corporate technology investments with The City Plan and ensures the City is focusing on the problems and corresponding solutions that are most needed. Steering and working committees, such as the Climate Task Force, guide the implementation of strategic plans like The City Plan, GHG Management Plan, Climate Resilient Edmonton Adaptation Strategy and Community Energy Transition Strategy. Prioritizing investment in green equipment, technology and resources is also critical.

D. Public Sphere

Increased and changing demands for social support and public safety services affect the City's growth, liveability and vibrancy. Diverging public opinion and perceptions make it difficult to meet the expectations of all Edmontonians because, although each City service has residents who value it, there is no consensus on a list of services the City should prioritize.

To illustrate, in building the current four-year budget, Administration conducted extensive engagement, outlined in the October 31, 2022 Communications and Engagement report CE01489 Budget 2023-2026 Community Insights. Edmontonians were asked how they would prioritize spending for City services. For City services that have direct impact to the majority of Edmontonians, such as parks and roads, survey respondents were aligned in wanting to increase investment. Opinions were more polarized in areas including social development, transit, community recreation, policing and libraries, with almost the same number of people indicating a preference to increase or decrease investment.

In addition, the increasing prevalence of misinformation and disinformation, in particular online, has the potential to further undermine public trust and create social uncertainties.

Mitigation and Opportunities

To address the need for increased social supports, the Community and Safety Well-Being Strategy, and Anti-Racism Strategy and Reconciliation efforts, prioritize integrated and collaborative initiatives for Edmontonians. This involves ongoing partnerships and collaboration with agencies, nonprofits and community-led groups. The City also collaborates with other orders

2025 CORPORATE STRATEGIC RISKS

of government to secure resources and reallocate responsibilities for housing, social services and public safety.

The City should continue to demonstrate tangible examples of value for tax dollars to Council and the public, through ongoing initiatives such as continuous improvement for efficiencies.

Ensuring accurate and timely information is crucial to mitigate misinformation and disinformation. This involves providing verified information to Council and Edmontonians through official City channels, communicating effectively with local media and strengthening media monitoring. Robust crisis response plans are essential for effective communication channels and reliable information distribution during critical times.

Community Insight

Extensive public engagement with residents helped develop the strategic goals that guide the Strategic Planning Framework through ConnectEdmonton and The City Plan. The Enterprise Risk Management process is completed annually across multiple levels and business areas within the City. Business areas take a focused view of all services, and through analysis, the top risks are elevated for consideration at the organization's strategic level. Each business area considers the diverse perspectives of its staff, customers (including communities or individual Edmontonians), stakeholders and associated impacts.

GBA+

The Enterprise Risk Management process integrates and provides risk-based assessments and an understanding of potential impacts to support business areas in decision making. The process also includes understanding how the risks impact different groups to ensure that mitigations and responses effectively address the needs of the community.

Examples of GBA+ insights during the Enterprise Risk Management process include:

- Understanding the impact of inflation and cost of living on residents and businesses help us understand how different groups are impacted.
- Proactively review and evaluate existing policies to identify gaps, unintended consequences and disproportionate impacts to diverse, under-represented and lower economic status groups for updates to ensure all residents can access services and prosper.
- The City's Energy Transition Strategy considers how low-income people and families are disproportionately impacted by climate change because they lack the financial means to implement mitigations and adaptation measures in their homes and communities.
- Commitments to the Corporate Accessibility Plans include enhancing building evacuation plans and drills to include processes and instructions for evacuation of employees and visitors of all abilities, ensuring overall workplace safety and response plans are inclusive and effective in accommodating all people.

Attachments

1. 2025 Corporate Strategic Risk Register and Heat Map
2. Summary of Environmental Scan for Strategic Risks