

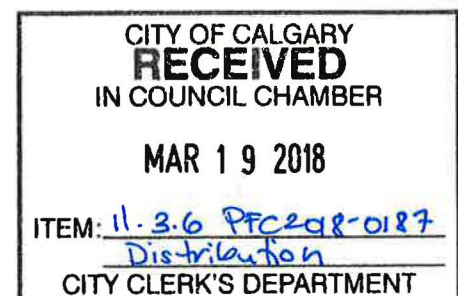
Economic Development Investment Fund Governance and Terms of Reference

EXECUTIVE SUMMARY

On 2017 December 18, Council approved an additional allocation of \$90 million for the long-term funding value of the Economic Development Investment Fund (EDIF) making the total initial value of the fund \$100 million. Council directed Administration and Calgary Economic Development (CED) to report to Priorities & Finance Committee (PFC) no later than 2018-Q1 with the EDIF Terms of Reference, including a recommended governance structure, and the terms and conditions for the newly created EDIF reserve fund.

The EDIF guiding principles include: strategic investments; fast and agile processes; rigorous business case review and validation by objective third-parties; transparency and accountability; and an overall construct that allows the EDIF to act at the same speed that today's business environment sees. The governance structure, terms of reference and processes are intended to reflect the overall EDIF guiding principles to ensure success.

Based on the analysis of a range of governance structure options, the EDIF Steering Committee is recommending that the creation of a new non-profit Wholly Owned Subsidiary of The City of Calgary would best support the guiding principles of the EDIF. The mandate of the subsidiary would be to manage the EDIF in a manner that creates an environment that encourages economic recovery and growth, helps reduce the impact of the economic downturn on citizens and businesses, and capitalizes on new opportunities to support Calgary's economic success into the future. This approach provides a number of benefits related to participation, accountability, transparency, and responsiveness.



Economic Development Investment Fund Governance and Terms of Reference

ADMINISTRATION RECOMMENDATIONS:

That the Priorities & Finance Committee recommends that Council:

1. Approve the creation of a new non-profit Wholly Owned Subsidiary of The City of Calgary to govern the EDIF;
2. Subject to the approval of Recommendation 1, and the holding of a shareholder meeting,
 - (a) Endorse the Mayor to serve on the board of directors of the Wholly Owned Subsidiary for a term of one year; and
 - (b) Endorse the current Council appointment to the Calgary Economic Development Ltd. board of directors Councillor Jeff Davison to serve on the board of directors of the Wholly Owned Subsidiary for a term of one year.
3. Receive the bios of the proposed EDIF Governance Board members for information (Attachment 4);
4. Approve the EDIF Terms of Reference (Attachment 3);
5. Approve the EDIF Reserve Terms and Conditions (Attachment 5a);
6. Approve the EDIF funding approval levels and decision-making authority as follows:
 - a) Up to \$10 million, EDIF Wholly Owned Subsidiary;
 - b) Greater than \$10 million, Priorities & Finance Committee and Council; and
7. As part of the proposed reporting process for the Wholly Owned Subsidiary, direct Administration to work with the EDIF Wholly Owned Subsidiary to bring a report to the Priorities & Finance Committee that reviews the pilot EDIF governance structure no later than 2019-Q2.

**RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE,
DATED 2018 MARCH 06:**

That Council approve Recommendations 1, 2b., 3, 4, 5, 6 and 7 contained in Report PFC2018-0187, as Recommendation 2.a was lost at Committee.

Opposition to Recommendations 4, 5 and 6:

Against: Councillor Farkas

Opposition to Recommendation 7:

Against: Councillor Woolley

Economic Development Investment Fund Governance and Terms of Reference

Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee, 2018 March 06:

“Moved by Councillor Sutherland

That with respect to Recommendation 2.a. contained in Report PFC2018-0187, the following be approved:

That the Priorities and Finance Committee recommend that Council:

2. Subject to the approval of Recommendation 1, and the holding of a shareholder meeting:

a. Endorse the Mayor to serve on the Board of Directors of the Wholly Owned Subsidiary for a term of one year; and

For: (4): Mayor Nenshi, Councillor Colley-Urquhart, Councillor Keating, and Councillor Farrell

Against: (5): Councillor Chu, Councillor Sutherland, Councillor Woolley, Councillor Davison, and Councillor Farkas

MOTION DEFEATED”

PREVIOUS COUNCIL DIRECTION / POLICY

Attachment 1 provides a consolidated summary of the previous Council direction on EDIF.

BACKGROUND

Responding to the Economy: A Top Priority

The economy continues to be top of mind for citizens and businesses. According to the Economic Perspectives Survey conducted by Ipsos in October 2017, 95 per cent of respondents agreed on the following: *“I believe that The City of Calgary has an obligation to help support our local economy in whatever way they possibly can.”*

The Economic Development Investment Fund (EDIF) is one way that The City of Calgary and its partners can take deliberate steps and use a more agile and responsive approach to support economic recovery and growth; to help reduce the impact of the economic downturn on citizens and businesses; and, help ensure Calgary’s ongoing success into the future.

EDIF Steering Committee

Calgary Economic Development (CED) assembled a voluntary EDIF Steering Committee composed of key business leaders to explore the development of Calgary’s EDIF. The EDIF Steering Committee is represented by the following members:

1. Steve Allan, Chair of the Board, CED;
2. Michael Brown, President and CEO, Calgary Municipal Land Corporation (CMLC);
3. Ian Bruce, Former CEO, Peters & Co. Limited;
4. Cheryl Gottselig, Q.C., Partner, Burnet, Duckworth & Palmer (BD&P) Law Firm;
5. Jim Gray, Chairman of the Energy Group, Brookfield Asset Management;
6. Scott Hutcheson, Executive Chairman, Aspen Properties;
7. Mary Moran, President and CEO, CED; and,
8. Barry Munro, Partner, EY.

Economic Development Investment Fund Governance and Terms of Reference

From September 2017 to February 2018, the EDIF Steering Committee met more than 20 times to review best practice research, develop impactful, efficient and effective guiding principles and processes, and review governance options that will generate high value, return on investment and strong accountability.

EDIF Overview

The EDIF and its goals, scope, area of applicability, guiding principles and intake and review process were approved by Council on 2017 December 18 (PFC 2017-1081). This section provides an overview of the EDIF program launch and the timelines targeted for decision-making. The EDIF Terms of Reference (Attachment 3) also reflects this information.

Program Launch and Implementation Timeline

Administration and CED target to launch the EDIF program in 2018-Q2, following Council's approval of this report's recommendations on governance and terms of reference.

Target Decision Making Timeline

Administration and CED reviewed funding program decision-making timelines from other jurisdictions. The EDIF stage gating review process is designed to be a best practice (Attachment 3).

INVESTIGATION: ANALYSIS

The EDIF governance structure, terms of reference and processes are intended to reflect the overall EDIF guiding principles to ensure success in both the short and long term. The EDIF will be launched with a governance structure in place to enable sound decision-making and strong accountability.

Recommended Governance Structure

The Steering Committee, with the support of Administration, considered a number of governance structure options and determined that the best approach to meet the needs of the EDIF program would be the creation of a new non-profit Wholly Owned Subsidiary of The City of Calgary.

Establishing a Wholly Owned Subsidiary of The City provides a number of benefits related to participation, accountability, transparency, and responsiveness including a governance structure that enables:

- engagement of Calgary's business community, and subject matter experts alongside members of Council on a volunteer board of directors;
- a meaningful level of decision making authority;
- an agile, flexible and timely decision making process; and
- accountability and reporting requirements at the board level with stakeholders and to The City as shareholder.

The proposed mandate of the subsidiary would be to manage the EDIF effectively and in a manner that creates an environment that encourages economic recovery and growth, helps reduce the impact of the economic downturn on citizens and businesses, and capitalizes on new opportunities to support Calgary's economic success into the future.

Economic Development Investment Fund Governance and Terms of Reference

Alternate governance options that were explored include a City of Calgary Administrative Committee, Committee of Council, or committee under CED, however, these did not provide the desired level of overall effective governance, stakeholder participation, decision making authority, agility, or flexibility.

Appointment of Board Members

To support continuity and timeliness of the initial program launch, it is proposed that the initial slate of nominees for the Wholly Owned Subsidiary's board of directors include the current EDIF Steering Committee Members for initial one year terms. A skills matrix has been developed for the board and the existing EDIF Steering Committee members meet the skill and experience requirements. The following table provides an overview of the proposed governance model.

Table 1: Recommended EDIF Governance Structure Summary

Structure	Non-profit Wholly Owned Subsidiary of The City (City as sole shareholder)
Term	One year term for inaugural board members, excluding CEO of CED, followed by staggered terms to support stability and continuity
Composition	10 Members including <ul style="list-style-type: none"> • The Mayor; • Current Council appointment to the Calgary Economic Development Ltd. board of directors, Councillor Jeff Davison • Chair of CED Board; and • Independent members from the business community.
Director Appointments	<ul style="list-style-type: none"> • Appoint the EDIF Steering Committee members to serve as the inaugural board of directors for the Wholly Owned Subsidiary with one year terms. • Appoint the Mayor to serve on the inaugural board of directors for a one year term. • Appoint the Member of Council appointed to CED's board of directors to serve on the inaugural Wholly Owned Subsidiary board of directors for a one year term.
Quorum	<ul style="list-style-type: none"> • 6 minimum
Decision-making	<ul style="list-style-type: none"> • Voting in person, by phone, by proxy and/or electronic methods are acceptable • Majority votes for decisions
Recruitment	<ul style="list-style-type: none"> • Based on skills matrix

The recommended governance structure will enable speed of review, quality assurance, transparency, and accountability. The first year of operations will validate the governance model and launch the EDIF program by leveraging the work of the EDIF Steering Committee to date. Further details regarding the recommended governance structure will be reflected in the Wholly Owned Subsidiary's governance documents including bylaws and any shareholder agreements that come to Council as the Shareholder for approval (Council as the representative of The City).

Economic Development Investment Fund Governance and Terms of Reference

Recommendation on Decision-Making and Approval Threshold Levels

Administration, CED, and the EDIF Steering Committee recommend the following decision-making and approvals to leverage the expertise of the Wholly Owned Subsidiary's board members and to balance accountability and the need to match the pace of business.

Approval Range	Decision Making Authority
Up to \$10 million	Wholly Owned Subsidiary Board of Directors
Greater than \$10 million	Priorities & Finance Committee and Council

Monitoring and Accountability Reporting

As part of effective program management, governance and accountability best practices, regular monitoring, reporting and communication will be implemented based on the schedule below. In addition to formal reporting, regular reporting and communication will include key data such as: projects approved, investments made, proposals turned down, processing cycle time, and forecasted and actual results. In addition, reports can be provided on significant investments as they occur.

Reporting Frequency	Audience	Method
Annually	Priorities & Finance Committee and Council	Formal Report
Annually	Council as representatives of The City of Calgary as Shareholder (AGM)	Formal Report
Ad hoc	As required *(In the initial period, CED will provide monthly updates to the board and members of Council.)	Ad hoc Report

Reserve Terms and Conditions

The terms and conditions for the EDIF reserve have previously been approved by Council (PFC2017-1081). Further amendments for Council approval to the terms and conditions are outlined in Attachment 5(a) and have been approved by the Chief Financial Officer and the City Manager in accordance with Council Policy #CFO013. These recommendations are tracked in red text as outlined in Attachment 5(b) Reserve Template – Mock up.

Stakeholder Engagement, Research and Communication

The recommendations were developed with the support, input, expertise and guidance of the EDIF Steering Committee, CED, Administration, and subject matter experts in Finance, Law, City Clerk's Office, Partnership Management, and Customer Service & Communications.

Economic Development Investment Fund Governance and Terms of Reference

Strategic Alignment

The EDIF has strong alignment with the Economic Strategy for Calgary: Building on our Energy, which speaks to a collaborative effort between business, government and community partners to position Calgary as the location of choice for business and investment, foster trade and develop Calgary's workforce. The EDIF will be aligned with The City's Capital Investment Plan and Council Priorities. The EDIF is also strongly aligned with The City's corporate governance policies, and project management best practices.

Social, Environmental, Economic (External)

Calgary's EDIF offers unique social, environmental and economic benefits. The collective impact of the EDIF is intended to provide for enhanced resilience and a range of economic benefits including local employment creation and gross domestic product growth.

Financial Capacity

Current and Future Operating Budget:

At this time, there are no significant current or future operating impacts associated with this report.

The direct operating costs of administrating the EDIF is recommended to be funded by investment income as outlined in Attachment 5(a) 'Reserve Template – Amending an Existing Reserve.' Where possible, The City will leverage existing resources and processes to limit the costs associated with administrating the EDIF.

Current and Future Capital Budget:

At this time, there are no current or future capital budget impacts associated with this report.

Risk Assessment

From an Integrated Risk Management perspective, potential principal corporate risks that could impact the achievement of the EDIF's objectives are in the areas of capacity for change and operational processes. The likelihood and impact of both risks have been discussed with the EDIF Steering Committee and Administration. In terms of internal capacity, this risk has been mitigated through the recommended strategy of creating a new non-profit Wholly Owned Subsidiary of The City of Calgary to manage the EDIF.

For risks related to the operational processes, Administration has been able to attract individuals with proven skill sets in the areas of governance/board experience; non-profit, private and public sector; financial acumen; entrepreneurial track record; international business and deal-making; economic development; investment capital market; infrastructure development; government relations; and legal and risk management. These individuals will serve as the inaugural EDIF board of directors for the Wholly Owned Subsidiary (WOS) and will promote continuity and leverage work done to date. A detailed skills matrix will be utilized to further recruit highly qualified board members that have the skills and experience required to effectively govern the organization. A robust stage gating process is in place and plans to have EDIF applicants complete comprehensive business cases will be reviewed by CED and validated by objective third-party experts. There will still be a need for City of Calgary staff to work with the WOS for incorporation and thereafter. Other mitigation strategies identified and that will be put in place include strong governance processes for decision-making, ongoing

Economic Development Investment Fund Governance and Terms of Reference

monitoring, and regular reporting and communication will be implemented to ensure the appropriate oversight and accountability.

REASONS FOR RECOMMENDATIONS:

Following analysis of various governance options, the EDIF Steering Committee, with support from Administration, has determined that the creation of a non-profit Wholly Owned Subsidiary is the most effective approach to governance and best meets the purposes and goals of the EDIF, aligning with the need for agility, flexibility, and accountability. Appointing current members of the EDIF Steering Committee to the new board of directors for initial one year terms will support a timely launch of the EDIF program, promote continuity, and leverage work done to date.

ATTACHMENTS:

1. Previous Council Direction on EDIF
2. EDIF Governance Board Appointees
3. EDIF Terms of Reference
4. **Corrected** Bios for proposed EDIF Governance Board
5. a) EDIF Reserve Terms and Conditions
b) EDIF Reserve Template – Mock up