

Community Services Report to
Organizational Meeting of Council
2019 October 28

ISC: UNRESTRICTED
C2019-1224

Wholly-Owned Subsidiary Councillor Appointment Process

EXECUTIVE SUMMARY

The City of Calgary has established seven wholly-owned subsidiaries (WOS), where The City is the sole shareholder, to indirectly deliver programs and services to Calgarians, manage or operate City owned assets, or steward Council approved city-wide strategies. Annually at the Organizational Meeting, Council appoints Councillors to sit as directors of each WOS as set out in the governance documents. This report proposes a process for the 2019 Organizational Meeting similar to the one used in 2018 where Council appoints the Mayor or Deputy Mayor to execute a written shareholder resolution to immediately appoint Council nominees to each of the WOS boards. Otherwise, Council appointees are not officially appointed until each WOS holds its annual meeting of shareholders.

ADMINISTRATION RECOMMENDATION:

That Council:

1. Confirm and approve Council's nominees for appointment to the boards of directors of The City's wholly-owned subsidiaries;
2. Confirm new appointments, authorize the Mayor, or in the Mayor's absence, the Deputy Mayor, to execute a resolution on behalf of the shareholder of the wholly-owned subsidiaries appointing the Mayor and/or Councillor nominees for the term specified to the respective board of directors; and
3. Direct that the closed meeting discussions remain confidential pursuant to Sections 17 and 19 of the *Freedom of Information and Protection of Privacy Act* (Alberta).

PREVIOUS COUNCIL DIRECTION / POLICY

2018 October 22 Council adopted the following recommendations with respect to C2018-1240 Wholly-Owned Subsidiary Councillor Appointment Report: That with respect to Report C2018-1240, Council: 1. Confirm and approve the following appointments to the Boards of Directors of The City's wholly-owned subsidiaries: 2. Attainable Homes Calgary Corporation, Councillor Chahal with a term to expire at the 2019 Organizational meeting; 3. Calgary Arts Development Authority, Councillor Woolley with a term to expire at the 2019 Organizational meeting; 4. Calgary Economic Development Ltd, Councillor Davison with a term to expire at the 2019 Organizational meeting; 5. Calhome Properties Ltd. Operating as Calgary Housing Company, Councillors Farkas and Farrell, with continuing terms to expire at the 2020 Organizational meeting; 6. Calgary Municipal Land Corporation, Councillors Chahal and Gondek with terms to expire at the 2019 Organizational meeting; and 7. Enmax Corporation, Councillors Keating and Demong with terms to expire at the 2019 Organizational meeting.

Additional Previous Council Direction is included in Attachment 1.

BACKGROUND

The City has established wholly-owned subsidiaries, to indirectly deliver programs and services to Calgarians, manage and operate City owned assets, or steward city-wide strategies. Each subsidiary's operations are guided by a mandate from City Council.

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As of 2019 October, The City is the sole shareholder of seven corporations: Attainable Homes Calgary Corporation; Calgary Arts Development Authority Ltd.; Calgary Economic Development Ltd.; Calhome Properties Ltd (operating as Calgary Housing Company); Calgary Municipal Land Corporation; Enmax Corporation and Opportunity Calgary Investment Fund Ltd.

As the representatives of The City as shareholder, Council appoints all members of each subsidiary's board of directors at an annual general meeting of shareholders that is held within 15 months of the previous annual meeting. Council has traditionally appointed members of Council to the board of directors for each organization including Attainable Homes Calgary Corporation (Mayor and one Councillor), Calgary Arts Development Authority Ltd. (one Councillor), Calgary Economic Development Ltd. (one Councillor), Calgary Housing Company (three Councillors), Calgary Municipal Land Corporation (Mayor and two Councillors); and Opportunity Calgary Investment Fund (Mayor and one Councillor). Members of Council no longer sit on the ENMAX board of directors.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Annually, at the Organizational Meeting, Council nominates the Councillors who will serve as directors on the boards of The City's wholly-owned subsidiaries. In accordance with the requirements in the *Business Corporations Act* (Alberta), the shareholder (City Council) appoints directors at their annual meeting of shareholders (AGM). In 2018, wholly-owned subsidiaries held their AGMs in June. As a result, each year there may be a gap of up to six months between when a Councillor is nominated as a director to a wholly-owned subsidiary board by Council at the Organizational Meeting (October) to when they are appointed at the annual meeting and can sit as a member of the board.

Under Section 141(1) of the *Business Corporations Act* (Alberta), The City, as sole shareholder can sign a written shareholder resolution that is as valid as if it had been passed at a meeting of shareholders.

Administration is recommending that the Mayor, or in the Mayor's absence, the Deputy Mayor, be granted the authority to execute resolutions on behalf of the shareholder to appoint Council's 2019 board nominees. A sample resolution is included as Attachment 2.

Once the 2019 Organizational Meeting is adjourned, the Mayor, as the authorized representative of the shareholder, would execute a shareholder resolution appointing each Council nominee to the appropriate wholly-owned subsidiary board. A copy of the resolution would be provided to the respective wholly-owned subsidiary to retain with the minutes of the meetings of shareholders.

Stakeholder Engagement, Research and Communication

Preparation of this report included a review of Administration's previous work on governance for wholly-owned subsidiaries and review of the process used in 2017 and 2018. Each of the affected wholly-owned subsidiaries, City Clerk's and the Law Department were previously consulted regarding the structure of the proposed resolution.

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Strategic Alignment

The recommendations align with One Calgary's Citizen priority of a Well Run City by seeking an approach to appointments to wholly-owned subsidiaries boards that avoids time delays between Council approving nominees and appointment to the board at each organization's AGM.

The approach also aligns and builds on Council approved work launched in 2012 to implement consistent governance best practices for The City's wholly-owned subsidiaries based on an approved Framework of Principles for Governance Relationships (C2012-0498).

Social, Environmental, Economic (External)

The City established its wholly-owned subsidiaries to provide programs and services that meet the needs of Calgarians including affordable and below market housing; electricity, natural gas, and renewable energy; economic development and other services. Supporting effective governance through timely appointments to wholly-owned subsidiary boards provides shareholder direction in a consistent manner to continue to effectively serve Calgarians.

Financial Capacity

Current and Future Operating Budget:

There are no impacts from this request.

Current and Future Capital Budget:

There are no impacts from this request.

Risk Assessment

Appointing councillors to director positions in a timely manner mitigates the risk for The City's wholly-owned subsidiaries.

An additional risk may arise for The City if an appointee's role as councillor conflicts, or is perceived to conflict, with their duties as a board member of a wholly-owned subsidiary. The likelihood and impact of this risk is mitigated by providing information about wholly-owned subsidiaries and their governance to newly elected members of Council as part of the orientation process. The Council approved *Investing in Partnerships Policy* also encourages The City's partners, including Wholly-Owned Subsidiaries, to maintain good governance policies and practices including codes of conduct, conflicts of interest, board orientation and education.

REASON(S) FOR RECOMMENDATION(S):

The proposed shareholder resolution appointment process ensures timely appointment of City Council representatives to the boards of directors for The City's wholly-owned subsidiaries.

ATTACHMENT(S)

1. Attachment 1 – Previous Council Direction
2. Attachment 2 – Sample Resolution of the Shareholder