

Opportunity Calgary Investment Fund Terms of Reference

RECOMMENDATIONS:

That the Priorities and Finance Committee recommends that Council:

1. Approve the revised Opportunity Calgary Investment Fund Terms of Reference included as Attachment 3;
2. Approve the Opportunity Calgary Investment Fund Investment Policy Statement included as Attachment 4;
3. Approve that Opportunity Calgary Investment Fund Ltd. can direct up to \$10 million in Opportunity Calgary Investment Fund monies to investment vehicles established and operated by third parties subject to terms and conditions in the Terms of Reference, Investment Policy Statement, and Operating and Funding Agreement; and
4. Direct Administration to update the Operating and Funding Agreement with Opportunity Calgary Investment Ltd. as required.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2021 MAY 18:

That Council:

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2. Approve the Opportunity Calgary Investment Fund Investment Policy Statement included as Attachment 4;
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4. Direct Administration to update the Operating and Funding Agreement with Opportunity Calgary Investment Ltd. as required.

HIGHLIGHTS

- This report proposes amendments to the Economic Development Investment Fund Terms of Reference previously approved by Council in 2018. The proposed amendments will enable Opportunity Calgary Investment Fund Ltd. that manages the funds to direct up to \$10 million to investment vehicles established and operated by third parties. In terms of a general housekeeping amendments, the changes reflect the change from “Economic Development Investment Fund” to “Opportunity Calgary Investment Fund” (OCIF).
- **What does this mean to Calgarians?** OCIF is managed by Opportunity Calgary Investment Fund Ltd. (OCIF Ltd.), a wholly owned subsidiary of The City of Calgary to serve as a catalyst to increase the viability of projects that can facilitate economic development in Calgary in the short, medium and long term. Adjusting the Terms of Reference (Attachment 3) to expand how the funds can be invested will improve the tools available to achieve the purposes of OCIF.
- **Why does this matter?** The challenging economic conditions in 2020 and 2021, including the impact of the COVID-19 pandemic, highlight the importance of having a

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variety of economic development tools and approaches to support a strong and vibrant local economy and deliver on goals in *Calgary in the New Economy: An economic strategy for Calgary*.

- Attachment 2 is a summary from OCIF Ltd. outlining the proposed approach, and benefits of adding this investment option to the allowable uses of OCIF.
- Administration and OCIF Ltd. have jointly prepared an *Opportunity Calgary Investment Fund Investment Policy Statement* (Attachment 4) for Council approval that balances the proposed approach with the due diligence and oversight required when stewarding public funds.
- On 2018 September 8 Council adopted the recommendations in PFC2018-0187 Economic Development Fund Governance and Terms of Reference as detailed in Attachment 1.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The Economic Development Investment Fund Terms of Reference were approved by Council in 2018, and following their approval, The City established Opportunity Calgary Investment Fund Ltd. (OCIF Ltd.) as a wholly owned subsidiary to manage the funds, and executed an Operating and Funding Agreement with OCIF Ltd. The mandate of OCIF Ltd. is to manage the Opportunity Calgary Investment Fund (OCIF) effectively and in a manner that creates an environment within the city of Calgary that encourages economic recovery and growth, helps reduce the impact of the downturn on City of Calgary citizens and businesses, and capitalizes on new opportunities to support the city of Calgary's economic success into the future. Under the previously approved Terms of Reference this is achieved through grant investment in projects that meet the approved criteria.

To meet its mandate, the OCIF Ltd. board of directors is recommending that Council approve the amended Terms of Reference (Attachment 3) to allow up to \$10 million of OCIF to be invested in investment vehicles established and operated by third parties. This would enable the deployment of capital on a long-term investment basis to an underserved segment of the Calgary market. A gap exists between Seed to Series A level capital where companies have early revenues and are starting to grow. Providing capital primarily dedicated to this space is expected to promote job creation as well as economic growth and diversification within Calgary. *Fueling Growth in Calgary's Innovation Ecosystem* developed by OCIF Ltd. and included as Attachment 2 provides an overview of this approach.

In addition to general housekeeping amendments proposed for the Terms of Reference, the following amendments are put forward for Council's consideration to allow the direction of OCIF funds to an investment fund managed by a third party: requirement for an RFP process; investments to be consistent with the TOR, any stated City investment policy, and any law regarding City investment activities; and The City to be the beneficial and registered owner of any securities issued and any distribution would be to The City and credited to the OCIF reserve.

To balance the expansion of how OCIF can be invested with the due diligence and oversight required when stewarding public funds, Administration has worked with OCIF Ltd. to develop an

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Opportunity Calgary Investment Fund Investment Policy Statement (Attachment 4) for Council's approval. The policy statement establishes and maintains practices and procedures to invest OCIF funds in accordance with the Terms of Reference. It identifies the responsibilities of the OCIF Ltd. board of directors, The City of Calgary and third-party custodians or trustees; outlines the objective, risk tolerance, and time horizon; specifies the asset mix, preferences and constraints; and identifies reporting requirements.

If the amended Terms of References are approved, the Operating and Funding Agreement between The City and with OCIF Ltd. would be adjusted as required.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

This report and attachments were developed in partnership with OCIF Ltd. and Calgary Economic Development who supports the OCIF Ltd. board of directors through a service agreement.

IMPLICATIONS

Social

OCIF is a tool OCIF Ltd. uses to deliver on Council Directives for *One Calgary 2019-2022*, in particular those related to a Prosperous City. OCIF investments also support delivery of the Economic Development and Tourism Line of Service, and *Calgary in the New Economy: An economic strategy for Calgary*.

Environmental

Investing OCIF funds supports implementation of Calgary's economic strategy, and the economic strategy aligns with The City's *Resilient Calgary* strategy that supports a focus on the future of Calgary's economy, an inclusive future, the future of Calgary's natural infrastructure, and developing future-ready infrastructure.

Economic

OCIF is a tool 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.

OCIF aligns and supports *Calgary in the New Economy: An economic strategy for Calgary*. As of 2021 March 31 over \$43 million in OCIF funds had been committed to 15 projects.

Service and Financial Implications

OCIF aligns under One Calgary's Economic Development and Tourism Line of Service and its investments further implementation of *Calgary in the New Economy* and the line of service by focusing on anchor company and ecosystem investments.

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OCIF Ltd.'s operating budget is funded through interest earned on the OCIF reserve. Annually, under the terms of the Operating and Funding Agreement, Opportunity Calgary Investment Fund Ltd.'s budget is approved by The City of Calgary's Chief Financial Officer and City Manager. \$1,368,982 was approved for OCIF Ltd.'s 2021 operating budget.

RISK

Risks related to allowing OCIF Ltd. to direct funds to investment vehicles managed by third parties are mitigated in part through the amended Terms of Reference, proposed Investment Policy Statement, and adjustments to the Operating and Funding Agreement.

Under the proposed new activity, The City will be the owner of record of any investment assets. The City's Finance business unit, through the Treasury division, will be involved in contracting and fund set up as well as custody of investments to ensure The City has long-term oversight.

As steward of OCIF, OCIF Ltd. is responsible for identifying and mitigating risks related to investment decisions, including assessing the capacity of project partners and fund managers to deliver results. Support in this area is provided by Calgary Economic Development through a service agreement with OCIF. OCIF mitigates risk by executing grant contribution agreements with all funding recipients.

In terms of managing overall risk, OCIF has risk management policies and procedures in place to identify and mitigate operational risks.

The City's exposure to risk related to OCIF as a City of Calgary Civic Partner and wholly owned subsidiary is also identified, tracked, and mitigated through existing controls under The City of Calgary's Principal Corporate Risk program (Partnership Risk) and the Service Risk Register for the Economic Development and Tourism Line of Service. Mitigation includes OCIF's participation in the accountability framework for Civic Partners, including an annual financial review and inclusion in the Civic Partner Audit Report. In 2020, an Administrative audit was undertaken to assess the effectiveness of the fund administration processes including the design and operation of process controls that mitigate financial and reputational risks. OCIF committed to implementing action plans to address all recommendations in the audit.

ATTACHMENTS

1. Background
2. Fueling Growth in Calgary's Innovation Ecosystem
3. Opportunity Calgary Investment Fund Revised Terms of Reference
4. Opportunity Calgary Investment Fund Investment Policy Statement

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Office	Inform