

Wholly Owned Subsidiary Update: Shareholder Value Proposition

RECOMMENDATION(S):

That Council:

1. Approve the Shareholder Value Proposition (“**SVP**”) (Attachment 3); and
2. Direct that Attachment 1 be held confidential pursuant to Sections 23 (Local public body confidences) and 27 (Privileged information) of the *Freedom of Information and Protection of Privacy Act*.

Review By: Do Not Release

HIGHLIGHTS

- A public and formalized SVP provides Council, the Shareholder and members of the public with additional information to understand the value that is expected and received from ENMAX.
- Council and ENMAX co-created an updated SVP that was recently endorsed by ENMAX’s Board of Directors (Attachment 3).
- The SVP’s focus includes increased value over time, a reliable and agile business model and the protection of the Shareholder brand by aligning with economic, environmental and social goals of the Shareholder.
- Council must respect legal and governance requirements and consider ENMAX’s separate legal entity status, regulatory requirements and business realities when updating the SVP and restrict it to a high-level policy focus. This enables performance oversight while ensuring ENMAX has the control and flexibility to operate and manage its business.
- ENMAX Management, City Administration and external advisors will develop performance measures that link to the SVP and will be subject to refinement during Shareholder meetings.

DISCUSSION

As the sole Shareholder of ENMAX, The City of Calgary (through City Council) determines the value it expects to receive from its investment in ENMAX. A shareholder value proposition is an innovative way to work with a City of Calgary wholly owned subsidiary, as it enhances clarity of expectations around value. Since 2016, expectations have been contained in an SVP (Attachment 2). It is important to maintain and update the SVP to ensure alignment with current Shareholder interests. In 2022, ENMAX Management and The City of Calgary discussed whether updates were required, and the outcome of those discussions is the updated SVP (Attachment 3). Coupled with meaningful performance measures, the updated SVP will continue to support ENMAX as an attractive ongoing investment for the Shareholder.

In developing the updated SVP (Attachment 3), City Council provided input, received confidential advice from external advisors and Administration, and engaged (as Shareholder) in discussions with various members of the ENMAX Board and ENMAX Management.

It is important that Council respect legal and governance requirements when updating the SVP and restrict it to a high-level policy focus linked to appropriate performance measures. This will enable performance oversight while ensuring ENMAX has the control and flexibility to operate and manage its business.

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The updated SVP was recently endorsed by ENMAX's Board of Directors, and City Administration understands that it will be reflected in the ENMAX long-range strategic plan. It is now appropriate for Council to formally endorse the updated SVP (Attachment 3) that resulted from collaboration with ENMAX. Council's approval of the SVP (as Council and not in its formal role as the Shareholder) enables it (as a major investor in ENMAX) to make its expectations clear without running the risk of the SVP being construed as operational direction to ENMAX from the shareholder. In approving the SVP in this manner, Council is also creating a transparent and publicly accessible corporate record.

Following approval of the updated SVP (Attachment 3), members of Administration and external advisors will work with ENMAX to finalize performance measures that focus on the SVP objectives and outcomes as contained in Attachment 3. This will form the basis of reports to the Shareholder and refinement during future Shareholder meetings.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required |

Council and Administration have been working with external legal and business advisors along with various members of the ENMAX Board and ENMAX Management on the development of the updated SVP. Following this engagement, the ENMAX Board endorsed the updated SVP (Attachment 3).

IMPLICATIONS

Social, Environmental & Economic – Not Applicable

Service and Financial Implications – No anticipated financial impact

RISK

The current ENMAX SVP has not been updated since 2016 and may not align as closely with Shareholder interests as it could. With an outdated SVP, the Shareholder risks direction that is both stale and unclear and may prevent ENMAX from meeting Shareholder expectations. The updated SVP makes the Shareholder expectations clear.

ATTACHMENT(S)

1. Previous Council Direction, Background - Confidential
2. Current Shareholder Value Proposition
3. Proposed Shareholder Value Proposition
4. Presentation

Law, Legislative Services and Security Report to
 Regular Meeting of Council
 2023 July 04

ISC: UNRESTRICTED
 C2023-0768
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Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Jill Floen, City Solicitor & General Counsel, General Manager of Law, Legislative Services & Security	Law, Legislative Services & Security	Approve
David Duckworth, City Manager	City Manager's Office	Consult
Carla Male, General Manager of Corporate Planning and Financial Services	Corporate Planning and Financial Services	Consult
Katie Black, General Manager of Community Services	Community Services	Consult