

Development of Model Governance Documents for The City of Calgary's Subsidiaries – Phase Two

Summary Report

Date: December 9, 2013

SUMMARY REPORT

This report provides an overview of the second phase of work completed by WATSON on behalf of the City of Calgary in relation to governance of its wholly owned subsidiaries.

In the first phase of work, WATSON prepared the following model documentation:

- Rationale for Creating Subsidiaries;
- Constatting documents (Articles and Bylaws);
- Shareholder Direction;
- Subsidiary Board Governance Policies (5); and
- Evaluation Framework.

In this phase, WATSON was asked to prepare a reporting framework, outline the roles and responsibilities of key parties, prepare a draft director recruitment process and outline a governance orientation program for Council members with respect to their subsidiary governance responsibilities.

1. Methodology

WATSON conducted a comprehensive document review, including subsidiaries' annual reports, subsidiary business plans, and other subsidiary reports to Council, The City Audit Committee and City Administration, the Bylaw establishing the City Auditor, the Bylaw establishing the position of City Clerk, the Bylaw appointing the City Solicitor, The City Audit Committee Terms of Reference, Standing Policy Committee Terms of Reference and Priorities and Finance Committee Terms of Reference. As necessary, we also referred to the legislation and documents previously reviewed in connection with the Phase One work.

WATSON conducted one-on-one interviews with several interviewees, including the chairs of subsidiary boards, the Chief Executive Officer/Executive Director of each subsidiary, identified members of City Administration and two City Councillors

As mentioned in our Phase One covering report, municipal governments have not yet established comprehensive frameworks for subsidiaries as robust as those seen at higher levels of government. Building on our research from Phase One, WATSON referenced publicly available governance frameworks and guidelines in place in other jurisdictions, both at the municipal and other levels of government both within Canada and elsewhere (including the United Kingdom, New Zealand and Australia) to inform the development of the Phase Two documents.

2. Findings

Some of the challenges of the existing subsidiary governance model include:

- Overlapping mandates between some subsidiaries and City departments;
- Confusion as to what information/reports require Council approval;
- Confusion as to what subsidiaries need to report to Council;
- Irregular reporting schedules among subsidiaries from year to year;
- Unclear reporting relationships;
- Inefficient use of Council's time during meetings; and
- Confusion regarding communication processes between subsidiaries and The City regarding subsidiary governance matters.

The City, as shareholder of a public sector entity, exercises a key governance role. After creating a subsidiary, Council establishes the subsidiary's mandate and appoints the board of directors to provide leadership and stewardship to the organization. Council approves the subsidiary's long-term strategy and annual business plans and, if applicable, allocates funding to the subsidiary from The City's budget (or receives a dividend to supplement The City's budget). As steward of The City's assets, Council has a responsibility to monitor performance of each subsidiary to ensure it remains the most effective and efficient way to deliver services. The documentation prepared by WATSON in this phase of work builds on the previous documentation and supports Council in exercising its responsibility.

3. Reporting Framework

The reporting framework for subsidiaries supports Council in carrying out its various responsibilities and is underpinned by a philosophical commitment to strong governance in the public interest. The framework has 6 key components: Clear and Relevant Mandates; Approvals; Key Oversight Responsibilities; Review Processes; Clear Reporting Relationships; and Corporate Secretariat. In support of the reporting framework, WATSON has prepared the following model documents: **Mandate Review; Annual General Meeting Agenda; Mid-Year Review Agenda; Risk Report; Key Performance Indicator Guide; Annual Subsidiary Reporting Calendar** and **Corporate Secretariat Position Description**. As with any model documentation, the model documents have been drafted as guides. When implemented, they will need to be adapted as necessary to fit the particular circumstances. We believe that, when adopted, the new reporting framework for subsidiaries will:

- Ensure that subsidiaries remain relevant to The City's strategic goals and priorities and that those that are no longer relevant are wound up;

- Create a stronger connection between Council and each subsidiary's board of directors;
- Allow Council to have a better *line of sight* into each subsidiary's strategy, operations and performance;
- Enable Council to be better informed when making decisions regarding the subsidiaries;
- Result in a more efficient use of Council time; and
- Result in more consistent and comprehensive stewardship of City assets by Council.

4. Roles and Responsibilities

Good governance in any context requires clear roles and responsibilities for all parties involved in the governance process and decision-making. Therefore, to support the reporting and decision-making process, WATSON has prepared a **Role Map** that delineates the responsibilities of each party involved in subsidiary governance and sets out, in chart form, the role that each party plays in each aspect of subsidiary governance. Given the significant coordinating role played by the Corporate Secretariat, we have prepared a more detailed **Corporate Secretariat Position Description** for that role.

5. Subsidiary Leadership

It is critical that each subsidiary has competent leadership at the board and executive level. Council's role is to appoint members of the board of directors. To assist with this process, we have prepared a **Subsidiary Director Appointment Process** and sample **Subsidiary Director Recruitment Brief**. The recommended process provides that the subsidiary will lead the recruitment process while involving Council in a meaningful and collaborative way.

6. Orientation

Finally, in order to support Council in its governance responsibilities, we have prepared a **Council Orientation Outline** that provides, at a high level, the outline for new Council orientation on subsidiary governance.

The Phase Two documentation builds on the work done in Phase One and, together, further strengthens and clarifies the overall governance relationship between The City and its subsidiaries.