

**date:** March 21, 2017

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**to:** Priorities and Finance Committee

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**from:** Mary Moran, President & CEO

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**subject:** Calgary's Innovation Framework and Proposal for Early Stage Programing at Calgary Economic Development

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## **purpose**

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On 2016 February 22, Calgary City Council approved \$7,000,000 in Resiliency Funding (Opportunity Calgary) for Calgary Economic Development to accelerate efforts in response to the economic downturn. Council held back \$325,000 of the Resiliency Funding and asked Calgary Economic Development to report back with Innovate Calgary and City Administration to the Priorities and Finance Committee with a plan to develop an innovation framework for Calgary prior to releasing the remaining \$325,000 to Calgary Economic Development.

This report summarizes Calgary Economic Development's research and stakeholder consultations for the development of an innovation framework for Calgary. The report also sets out Calgary Economic Development's recommendations to strategically invest the remaining \$325,000 of Resiliency Funding to strengthen Calgary's innovation ecosystem through the delivery of early stage programing to startups.

## **recommendations**

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Based on engagement conducted by members of Calgary's innovation community, Innovate Calgary and Calgary Economic Development, Calgary Economic Development proposes that:

1. Startup Calgary transfer its programing, which is focused on developing early stage entrepreneurs, to Calgary Economic Development (the Startup Programing).
2. Calgary Economic Development will retain Startup Calgary's current Executive Director as an employee of Calgary Economic Development. Calgary Economic Development will appoint the current Startup Calgary Board Chair to Calgary Economic Development's Board of Directors.
3. Calgary Economic Development deliver the Startup Programing to early stage entrepreneurs as a 3-year pilot program (the Pilot Program).
4. The remaining \$325,000 of Resilience Funding be applied as partial funding for the Pilot Program, which will have a total cost of \$750,000.
5. Calgary Economic Development apply for an additional \$425,000 to complete the Pilot Program through the City of Calgary's 2019 budget process. Release of such additional funding would be subject to Calgary Economic Development delivering a preliminary progress report after the first year of the Pilot Program.

This proposal has been approved by the Calgary Economic Development Board of Directors.

## background

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### Introduction

Calgary is at a turning point. Structural changes in our economy and technological shifts are changing the way we do business and the way we interact with one another. How and where we work tomorrow won't be the same as it is today. While considerable employment is with large established businesses, according to the Kaufmann Foundation, businesses less than 5 years old have been generating the majority of employment for quite some time<sup>1</sup>.

At the same time, Calgary's business community believes that in our current 'lower for longer' environment, we cannot rely on the traditional oil and gas industry to generate future employment. In a study conducted by Calgary Economic Development in November 2016, 76 per cent of business respondents stated Calgary's economy will not return to what it was and 81 per cent stated that the economy is changing and must become more diversified.

Supporting the startup and growth of new companies will play an important role in Calgary's future employment growth. In addition the importance of startups to employment growth, innovation is increasingly being seen not as a sector in and of itself, but something that cuts across all industries and business processes.

Our study also identified that businesses in Calgary see the municipal government in a more favourable light than provincial and federal government in supporting small business. Suggestions in how the municipal government could support business included support for diversification, development of local business and building the right infrastructure.

### ***Building on our Energy: Economic Strategy for Calgary***

Building a healthy innovation ecosystem and providing the support needed to entrepreneurs and early stage companies are clearly identified actions in *Building on our Energy: the Economic Strategy for Calgary*.

- Entrepreneurial Energy – provide businesses and entrepreneurs the support to grow
- Innovative Energy – promote a culture of innovation throughout industry, the public sector, educational institutions and community agencies

Through the Economic Strategy, Calgary Economic Development's 3-year strategy and Opportunity Calgary, Calgary Economic Development is now focusing on agribusiness, smart logistics, renewables, clean energy technology and digital and animation technologies. With

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<sup>1</sup> <http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/the-importance-of-young-firms-for-economic-growth>

these sectors of focus our services are increasingly helping startups and small business which will drive future job growth. In addition, several incubators and co-work spaces are emerging in the downtown core and have been requesting Calgary Economic Development's assistance to deliver appropriate programming to their clients.

In recognition of this, Calgary Economic Development included the need to strengthen the innovation ecosystem as part of the Opportunity Calgary proposal presented to Council in February, 2016. At that time, Calgary Economic Development was asked to work with Innovate Calgary, The City of Calgary and other stakeholders to develop an innovation framework for Calgary. Our research has identified the structure of Calgary's innovation ecosystem and developed an understanding of its strengths and weaknesses.

As identified in the Economic Strategy, the innovation community and Calgary Economic Development desire an innovation ecosystem that improves our competitiveness, provides an environment where innovators and entrepreneurs flourish and ultimately create jobs. Building an innovation ecosystem takes time, commitment and coordination between the private sector, government and post-secondary institutions. Innovation has to be embraced in everything we do from business and education techniques, decisions about infrastructure in our city, to the creation of technology.

### **Engagement with Innovation Community**

In the economic sense, an innovation ecosystem is one where entities and individuals within their geographic environment work together to enable technology development and innovation. An ecosystem will lead actors to interact in unplanned and uncontrolled ways conducive to new ideas, new solutions and new ventures. Traditionally, the economic ingredients of land, labour and capital drove growth and prosperity.

In today's economy the important ingredients are talent, ideas and capital. However, the recipe that governs the speed at which the ingredients interact and move through the system is equally or more important than the ingredients themselves. The focus of the work of Calgary Economic Development has been to collaboratively discover the right recipe for Calgary to develop an innovation framework which will build a healthy innovation ecosystem that accelerates the collisions and movement of talent, ideas and capital. In our efforts to discover this recipe and in keeping with Council's directive of February 2016, Calgary Economic Development has:

- With the Office of the Mayor, convened stakeholders to conduct a high level assessment of the current ecosystem and to develop an innovation framework (Spring 2016). This session, attended by approximately 20 stakeholders began the process of identifying a vision for innovation, identifying the broad group of stakeholders engaged in Innovation in Calgary and raising the need for entrepreneurial support programs, access to capital and raised awareness of innovation in Calgary.
- Together with Innovate Calgary, participated in a Rainforest workshop (Fall 2016), a gathering of stakeholders from across Alberta including the private sector, government

and not for profit entrepreneur support agencies. For this workshop, facilitators were brought in to teach participants about the Rainforest Framework for innovation and to walk people through a self-assessment of Alberta's innovation ecosystem and begin the process of addressing gaps in the ecosystem.

The Rainforest is a widely adopted framework used to assist communities build a healthy innovation ecosystem. Developed by researchers from Silicon Valley, the Rainforest provides a framework for convening leaders, building trust and developing the tools necessary to unleash innovation in a community. Brad Zumwalt, a successful founder of technology startups in Calgary, organized and financed Rainforest workshops in September 2016 and then again in March 2017. The September Rainforest workshop has served as a catalyst in bringing together members of the innovation ecosystem in strengthening coordination and collaboration, building a culture of trust and addressing gaps in the ecosystem.

*The key takeaway from this workshop was that no 'one' agency owns innovation in Calgary.* The single most important thing we can do is foster relationships across organizations and companies in developing a culture of trust across the city. Demonstrating the collaboration among service providers, Innovate Calgary and Calgary Economic Development supported a multi-stakeholder process of strengthening coordination and collaboration among service providers to address the ecosystem gaps identified by the Rainforest workshop.

Since the initial workshop in September 2016, 150 individuals and agencies including successful entrepreneurs and A100 members, venture capitalists, post-secondary institutions, government agencies and departments, researchers and support agencies have signed a social contract and adopted the Rainforest approach to strengthen Calgary's innovation ecosystem. Lead agencies include Calgary Economic Development, Innovate Calgary, Startup Calgary, the A100, post-secondary institutes, Civic Innovation YYC (Analytics Calgary), Alberta Innovates and the Alberta Enterprise Corporation.

### **The Rainforest: Our Framework for Innovation**

Calgary Economic Development in collaboration with Calgary's innovation community, has adopted the Rainforest approach as our framework for innovation. This approach defines six pillars that are required to support Calgary's innovation ecosystem: leadership, culture, resources, role models, framework and infrastructure, and activities and engagement.

**Leadership** is best defined through understanding who has the reputation, resources and commitment to lead new initiatives. Leaders are able to leverage existing networks and encourage others to push their boundaries. In Calgary, the private sector, Innovate Calgary and Calgary Economic Development are seen as important leaders in ecosystem development.

**Culture** is understood through social networks that are in place, the level of trust among key stakeholders and the ability to embrace failure and maintain a sense of urgency in the work. An effective culture convenes people with influence across boundaries, invites diversity,

identifies people with genuine influence, views failure as positive and excites people. In Calgary, participants in the ecosystem have created and signed onto a social contract to improve the culture of the overall ecosystem.

**Resources** include training, education, mentoring, capital and talent that are available to entrepreneurs to establish and grow their companies.

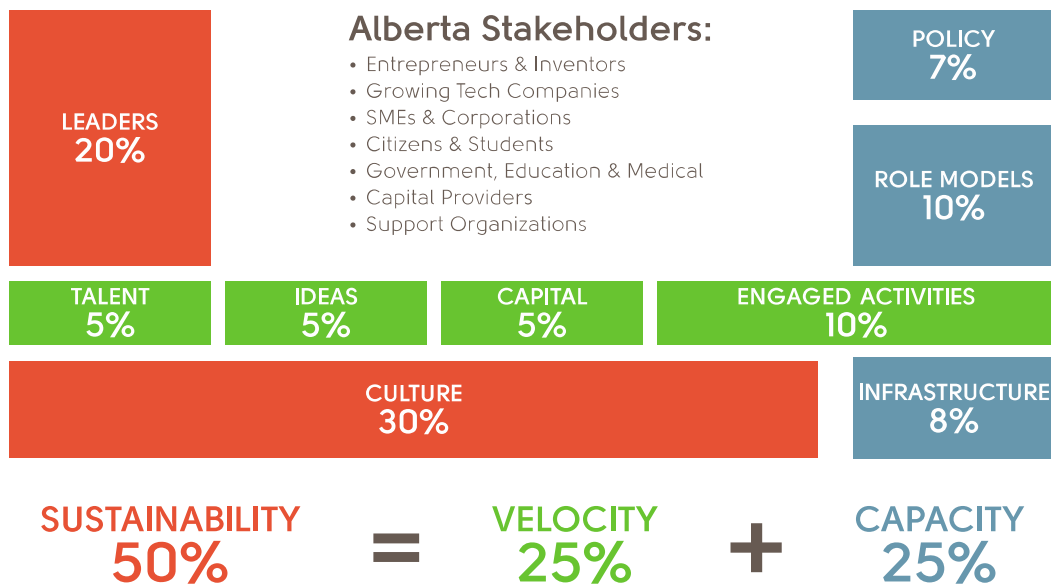
**Role Models** are those that have built successful companies and are in turn available to support others. Organizations the share and promote the same values around innovation are also important role models.

**Framework and infrastructure** are understood through the regulatory environment in place to support innovation as well as the density and quality of service providers available to startup entrepreneurs.

**Activities and engagement** refers to the activities being undertaken to stimulate innovation, create buzz and open opportunities for collisions and collaboration.

The Rainforest approach identifies that the culture and leadership pillars are crucial to the *sustainability* of the ecosystem. Role models and infrastructure are pillars that support the *capacity* of the ecosystem. The resources and activities pillars are associated with the *velocity* or ability of the ecosystem to generate and accelerate talent, ideas and capital (Figure 1).

Figure 1: Balancing Sustainability with Capacity and Velocity



## Rainforest Assessment

In the September 2016 and March 2017 Rainforest workshops, participants in the innovation ecosystem gathered to conduct a self-assessment of Alberta's innovation ecosystem. Over 90% of the participants in this exercise were from Calgary, therefore, we are using this assessment as an assessment of Calgary's innovation ecosystem. At that time, the participants' overall assessment identified weaknesses throughout the ecosystem with notable gaps in culture and activities and engagement. Most notably, the key takeaways from this self-assessment included:

- **Leadership:** organizations with the reputation to lead aren't aligned.
- **Culture:** we lack a culture of trust, failure is seen as a negative rather than a positive and we are not 'thinking big' or generating 'buzz'. We need to develop Calgary's brand as a centre of innovation.
- **Activities/Engagement:** there is a lack of necessary programming most notably at the early stages of startup development (see below), there is a need for space for the collision of ideas to occur and we lack catalytic events to promote startups and our ecosystem.
- **Role models:** successful entrepreneurs need to support startups, there is a need for more, quality role models, we don't have enough recognition of our startups and we lack a shared vision for innovation.
- **Framework/Infrastructure:** provincial incentives and policies don't spur innovation, service providers aren't coordinated and we need creative solutions to unlock local wealth.
- **Resources:** It is challenging for entrepreneurs to identify and access resources, there is a need for talent development and retraining and mentor programs are coordinated across ecosystem service providers.

## The Entrepreneurial Lifecycle

A recognized global organization, Startup Commons ([www.startupcommons.org](http://www.startupcommons.org)) has provided a useful tool in understanding the development stages of a startup company, which consists of three stages: (i) entrepreneurial formation, (ii) validation and (iii) growth. Entrepreneurs begin with an idea that eventually leads to an established entity with the ability to scale and grow (Figure 2).



Figure 2: The Entrepreneurial Lifecycle (Startup Commons)

These stages are further broken down into six phases from ideating to establishing. These phases begin in negative numbers to indicate that at this stage there is not yet a 'product' or something tangible to develop. This is reinforced through the use of the red line which shows in the early formation stage the enterprise is uncertain. The certainty is locked in validation but real progress is apparent until the growth stage of the organization.

- -2 Ideating: The entrepreneur(s) has an idea but is necessarily committed nor is there a team in place to carry the idea forward.
- -1 Concepting: The (co)founder begin to assemble a team with complementary skills and create an initial strategy with milestones to achieve.
- 0 Committing: Product or service is in place, resources committed and shareholder agreements put in place.
- 1 Validating: Testing assumptions to validate the product or services, performance measures in place and additional resources begin to be secured.
- 2 Scaling: Focuses on key performance indicators with respect to customer and revenue growth. Ability to grow quickly, secure funding and hire if needed.
- 3 Establishing: Growth is sustainable and investments and people are easily attracted. The founder may continue with the company or 'exit' to apply resources to a new venture.

There is a second important aspect to the Entrepreneurial Lifecycle and that concerns **Invention versus Innovation**. In other words, where do new companies come from? What are the 'sparks' that may or may not result in an individual or organization taking the Entrepreneurial journey described above?

It is important to distinguish between **invention** – the process of creating something new, and **innovation** – the creation of new economic value through a new product, service or process.

Figure 3: Invention vs. Innovation

**Invention:**

The creation and distribution of net new intellectual property through science.



**Innovation:**

The creation of net new economic value through a new product/service or process.

Job creation and economic growth can happen either through transitioning inventions from research and development efforts into the commercial sector or from simply a new product or service that is refined or new. Not all new ideas for products, services or processes begin with an invention.

The University Calgary conducts research that leads to invention which might spur innovation through the development of a new product or process. In this sense, the University of Calgary supports the ideating and concepting phase of the Entrepreneurial Lifecycle described above.

Innovate Calgary straddles the border between invention and innovation as it supports the committing and validating phase of business formation. Thus they provide a unique role currently in the entrepreneurial journey. While Innovate Calgary provides support to early stage entrepreneurs through Startup Primer workshops and Innovator's Toolkit, they play a larger role in technology transfer and assisting with validation and constructing a product for market.



Startup Calgary supports ideating and concepting for entrepreneurs that may be, but are not necessarily, associated with the inventions that occur at the University of Calgary. More importantly, Startup Calgary plays an important role in assisting entrepreneurs to clarify and validate their concepts and facilitating entrance into the Calgary innovation ecosystem.

Calgary Economic Development has historically supported the growth phase of business development in our traditional sectors through talent development and attraction, investment attraction and trade programing supporting companies seek new partnerships and markets.

Calgary Economic Development is not currently providing direct services to the growing number of clients at the formation and validation stage, rather Calgary Economic Development works with stakeholders such as Startup Calgary and Innovate Calgary to build a supportive business environment.

### Startup Calgary

Founded in 2010, Startup Calgary plays an important role in fostering the development and growth of new companies in the formation phase of the Startup Development Phases(referred to as "startups"), connecting founders and supporting the local innovation ecosystem with strategic activities and events. Incorporated as a not for profit with four shareholders, Startup Calgary is governed by a Board of Directors comprised of successful entrepreneurs from the local innovation ecosystem as well as financial and legal advisors. Programs are delivered by a full time executive director along with a number of volunteers.

Funding has come from a variety of sources including grant funding, private sector support and surplus funds from hosting events. Revenues have grown from \$9,500 in 2010 to \$117,700 in 2016. Partnerships and sponsorships have contributed the majority of the revenue to Startup Calgary (Figure 4). Considerable time is invested in securing program sponsorship, detracting from the time spent on actual programing. In addition, given the current economic environment, future sponsorships is at risk.

Figure 4: Startup Calgary Historical Revenue

Revenue Source	2016	2015	2014	2013	2012	2011	2010
Partnerships and Sponsors	\$66,500	\$35,000	\$37,000	\$42,500	\$15,000	\$27,000	
Grants	\$10,000		\$27,500	\$17,000	\$2,500		
General		\$10,500	\$10,500	\$2,750			\$8,900
Launch Event	\$22,700	\$27,500	\$17,900	\$21,200	\$34,200	\$6,100	\$600
Startup Weekend	\$11,300						
Other Event Revenue	\$7,200						
<b>Total Revenue</b>	<b>\$117,700</b>	<b>\$73,000</b>	<b>\$92,900</b>	<b>\$83,450</b>	<b>\$51,700</b>	<b>\$33,100</b>	<b>\$9,500</b>

Startup Calgary is one of over 20 Startup communities across Canada licensing the “Startup” brand from Startup Canada. These communities pay an annual affiliation fee to Startup Canada to access training, knowledge exchange, tools and resources in supporting their local entrepreneurial community. While Innovate Calgary provides programs such as startup workshops and startup toolkit, these programs are offered only twice each year, follow a structured program and a fee applies. Startup Calgary offers location and sector agnostic programming on a much more frequent basis with a focus on providing topical information that an entrepreneur can immediately apply to their work. It is important to note that Startup Calgary works closely with Innovate Calgary in aligning programming and event organization in support of early stage entrepreneurs. As an example, Startup Calgary often refers clients to Innovate Calgary’s Startup Primer workshops. Innovate Calgary will also direct participants of their workshops to Startup Calgary events and programs.

Prior to 2016, Startup Calgary does not have clear records regarding attendance and outcomes from their programming. We do know that their Launch event saw a significant increase in engagement in 2016 with their applications from startups to pitch their ideas and concepts rise from 32 applications to 46 and participation in the Launch event increased from 400 to 700 participants. Here are some additional results from 2016:

- Over 1000 participants in information sessions and meetups, informal events where entrepreneurs meet others going through the ideating and concepting phases of development;
- 350 participants in workshops and lunch and learns;
- 175 participants in startup weekend and demo camp;
- 8 startups referred to accelerator programs; and
- 4 startups accepted into Alberta Innovates and National Research Council voucher programs

Prior to 2015, Startup Calgary did not seek municipal or provincial funding. Founder meetings were infrequent and the organization did not have full time staff. Additionally, Startup Calgary had not filed annual tax returns. As a result, long-term planning and program delivery was challenging due to unpredictable funding and limited marketing capacity. Beginning in 2015 this was addressed by establishing a Board of Directors and hiring a full time Executive Director. Since this time, Startup Calgary has received 2 grants from the provincial government to host speaker series. Additional grants were inaccessible without annual tax returns to CRA. While the governance and financial model for Startup Calgary has improved, predictable and sustainable operational funding remains a challenge due to the economic conditions in Calgary.

The current Board of Directors desires long-term sustainability for the Startup Programming that has been gaining momentum over the last 18 months. The current Board of Directors and Calgary Economic Development recognize that Startup organizations in other

communities have received sustainable funding from their municipal governments and used those funds to develop strong, successful programming (see case studies below).

## Startup Case Studies

### Startup Edmonton and Edmonton Economic Development (acquired 2014):

Edmonton Economic Development acquired Startup Edmonton in January 2014 to establish a hub and support for pre-startup and early stage ventures; to evangelize and champion entrepreneurship and innovation within Edmonton ecosystem and to increase the number of new startups generating revenue up to \$500,000 annually. The City of Edmonton provides an annual operating budget of approximately \$300,000 to Startup Edmonton.

### Startup Seattle and Seattle Economic Development (acquired 2014):

The Economic Development Office of the City of Seattle acquired Startup Seattle to invest in the online presence and develop further programming and initiatives to develop and retain startups in the Seattle area. Startup Seattle is supported by established technology companies in the Seattle area. As a part of the City of Seattle, Startup Seattle provides public policy and decision making that directly impacts the success of Seattle's technology industry. Seattle supports Startup with a full time Startup Liaison as well as support for events and programming.

## Startup Programming

Startup Calgary delivers programming (the Startup Programming) common to other startup organizations which address the Rainforest pillars of Culture, Resources, Role Models and Activities including:

**Ideation Events and Speaker Series** such as meetups provide entrepreneurs the opportunity to meet other entrepreneurs and mentors and hear from those that have successfully launched their own startups. These sessions are valuable in providing spaces for the collision of ideas to occur as well as for entrepreneurs to gain guidance as to next steps from others going through the same process. At these sessions entrepreneurs are introduced the Rainforest Social Contract leading to a strengthening of the trust in the innovation ecosystem. In addition, these events provide learning opportunities and business development tools to entrepreneurs as well as providing them with an opportunity to meet potential mentors.

**Startup Weekend** is a weekend of intense programming, speakers and access to mentors, investors and other entrepreneurs to take an idea to action. At the end of the weekend, participants pitch their idea to those with that successfully launched their own startup or have venture capital experience. Startup Weekend builds on the Culture pillar of the Rainforest through the reinforcement of the 'fail fast' concept where entrepreneurs begin to see failure in a positive light.

**Launch Event** is the largest event of the year in Calgary's startup calendar. Bringing together over 700 participants from the startup, investment, corporate and support community; Launch is a coming out event for Calgary's most viable, disruptive and innovative startups. At Launch these startups gain access to some of the most influential venture capitalist firms in North America. Launch nearly doubled in participation from 2015 to 2016. With sustainable funding for Startup Calgary, it is expected this event will continue to grow as the premier startup event in Calgary, contributing to the overall 'buzz' of the startup community.

## **Proposal: Calgary Economic Development – Startup Calgary Proposal**

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Calgary Economic Development and Startup Calgary have determined that transferring the delivery of Startup Programming to Calgary Economic Development will increase the effectiveness of these programs for early stage entrepreneurs. This transfer will support the sustainability, capacity and velocity of innovation in Calgary. This transfer will focus on the formation phase of the Startup Development Phases – directing resources towards activities and engagement at early stage entrepreneurs.

Innovate Calgary has been included in the decision making process to transfer Startup Calgary's assets and Executive Director to Calgary Economic Development. Startup will continue to collaborate and coordinate programming with Innovate Calgary to improve delivery of programming and strengthen the ecosystem. However, Calgary Economic Development will be able to leverage its network and marketing strengths to increase participation and raise the voice of Startup Calgary within and beyond Calgary.

In preparing for this transfer, Calgary Economic Development's Chief Financial Officer and Corporate Governance Committee conducted a thorough due diligence of Startup Calgary's financial, legal, governance and operational structure. This review was presented to and approved by Calgary Economic Development's Board of Directors. This review included the development of a risk matrix attached as Appendix A. Based on this review, Calgary Economic Development recommends that Calgary Economic Development assume the responsibility of delivering the Startup Programming.

Startup Calgary is prepared to transfer all intellectual property to Calgary Economic Development, including the name "Startup Calgary", and plans to wind-up its corporate entity. As such, Calgary Economic Development is insulated from any potential risk of litigation and financial claims from past operations. Calgary Economic Development will not assume any of the prior obligations of Startup Calgary.

Benefits of the transfer include:

- More predictable funding model which will improve program delivery and addressing the needs of the startup community;

- Improved internal controls and compliance for financial reporting and government adherence and administrative efficiencies utilizing Calgary Economic Development's existing resources;
- The current Executive Director will become a CED employee and the Chair of Startup Calgary will join Calgary Economic Development's Board of Directors providing expertise;
- Access to downtown office space and IT infrastructure at no additional cost to Calgary Economic Development;
- Improved client referrals and government relations utilizing Calgary Economic Development's existing resources; and
- Improved stewardship of the Startup brand, website, advertising and collateral development utilizing Calgary Economic Development's existing resources;

Calgary Economic Development and Startup Calgary believe that Calgary Economic Development is the most appropriate organization to provide the Startup programming due to:

- Calgary Economic Development's role in promoting Calgary and businesses in Calgary will allow greater promotion of the startup community both within and beyond Calgary.
- Calgary Economic Development's increased involvement in start-up stage companies due to its expansion of sectors including renewables, agribusiness, clean tech, creative industries and Calgary's unemployed looking for new opportunities.
- Calgary Economic Development's role in connecting business with trade and investment opportunities will provide market opportunities for Calgary's startups not previously considered.
- Calgary Economic Development's respected role and position in the community in Calgary enables Calgary Economic Development to convene business and government in creating a business environment that will be supportive of startup development.

Calgary Economic Development will deploy the following programming in supporting the startup community in Calgary:

- Provide early stage programming to incubators and accelerators
- Host inbound innovation trade missions (through the Talent Hub initiative)
- Develop and deploy a scouting program to identify high potential innovation entrepreneurs
- Develop a resource team to 'hover' over identified innovation entrepreneurs and support their growth
- Work with stakeholders to support and grow 'catalytic' events (Pitch Night, Startup Weekend, Launch)

- Provide a one stop shop for innovation events across the ecosystem (Startup Calendar)
- Position Calgary as a Centre of Innovation with the Provincial and Federal Governments
- Market and promote Calgary's innovation ecosystem to internal and external stakeholders
- Attract Venture Capital and Private Equity business managers to Calgary
- Expand CED careers in Calgary program to include entrepreneurship
- Leverage and connect to Civic Innovation YYC and use their platform to get tech into the City but also ideas to entrepreneurs
- Work to repurpose highly skilled engineers and develop talent needed by Calgary's growing tech startup community

## Funding Request (3 years) – Draft Budget

Calgary Economic Development requests \$325,000 from the Resiliency fund for partial funding of a the Pilot Program (Figure 5) to immediately enhance programing for early stage entrepreneurs. The full cost to the Pilot Program is estimated to be \$750,000. Calgary Economic Development will request that The City of Calgary consider funding a second phase to the project in the amount of \$425,000 to be requested for allocation in the 2019 budget process. In addition, Calgary Economic Development will seek to leverage City of Calgary funding through grant applications to other agencies including Alberta Enterprise Corporation, Economic Development and Trade and Western Economic Diversification to continually strengthen programing for early stage startups in Calgary. Through the course of the Pilot Program, Calgary Economic Development will create a fund development plan to ensure the sustainability of the Startup Programing beyond the Pilot Program.

Figure 5: Proposed Budget

<b>STARTUP CALGARY OPERATIONS</b>				
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Totals</b>
<b>REVENUE</b>				
Partnerships and Sponsors	\$33,000	\$33,000	\$33,000	
Grants	\$35,000	\$45,000	\$10,000	
Launch	\$20,000	\$20,000	\$20,000	
Startup Weekend	\$11,000	\$22,000	\$22,000	
Total Revenue	\$99,000	\$120,000	\$85,000	
<b>SALARIES &amp; BENEFITS</b>				
Executive Director	\$90,000	\$90,000	\$90,000	
Benefits	\$18,000	\$18,000	\$18,000	
<b>PROGRAMMING</b>				
Programming & Marketing & Website	\$60,000	\$65,000	\$70,000	
Event Support & Management	\$25,000	\$31,250	\$33,000	
Ideation Events	\$57,000	\$58,000	\$23,400	
Startup Weekend	\$15,000	\$30,000	\$30,000	
Launch	\$60,000	\$60,000	\$60,000	
<b>ADMINISTRATION</b>				
Startup Canada Affiliation fee	\$1,050	\$1,100	\$1,200	
Office Supplies/Computer	\$5,000	\$1,000	\$1,000	
Volunteer Recognition	\$6,000	\$6,000	\$6,000	
Staff Expenses - Travel/Entertainment	\$6,000	\$6,000	\$6,000	
Cleanup	\$6,000			
<b>TOTAL</b>	<b>\$349,050</b>	<b>\$366,350</b>	<b>\$338,600</b>	
Net Loss	-\$250,050.00	-\$246,350.00	-\$253,600.00	
Funding Requested from City of Calgary	\$250,050.00	\$74,950.00		\$325,000.00
Future Funding Requirements		\$171,400.00	\$253,600.00	\$425,000.00

Calgary Economic Development will report back on the \$325,000 to the Priorities and Finance Committee no later than May 2018 after the first full year of implementation of the Pilot Program. The City of Calgary will have the ability to pivot or defund should no progress be reported. In addition, Calgary Economic Development will strive to leverage City funding and secure additional funding sources, including the Government of Alberta, to support these initiatives and augment results.

### Performance Measures (3 – 5 year horizon)

Performance metrics are displayed as outputs, outcomes and impacts (Figure 6) to align with Calgary Economic Developments Balanced Scorecard. Base numbers are drawn from Startup Calgary's 2016 results. A five year horizon is provided to show that it takes up to 5 years for a startup to move from ideation to establishing a growth company (from Figure 2: Startup Development).

Figure 6: Performance Measures

Outputs	Base	Year One	Year Two	Year Three	End of Pilot Phase	Year Four	Year Five
Participation in information sessions, meetups and speaker series	1000	1000	1200	1500		2000	3000
Participation in workshops and lunch and learns	350	500	600	800		1200	2000
Outcomes							
Participation in Startup Weekend, Demo Camp and Founders Cohort	175	250	300	375		475	600
Applications to Launch Party	43	55	70	90		120	175
Startups referred to incubator and accelerator programs	8	15	25	40		60	100
Impacts							
Startups accepted into Alberta Innovates and National Research Council Voucher Programs	4	6	9	18		36	60
Startups receiving venture capital and generating employment	1	2	3-5	6-10		12	20
Jobs created	0	6	20-40	60-100	150-300	500	



### Appendix A Risk Matrix

Calgary Economic Development Startup Calgary - Enterprise Risk Matrix 2017

Category	Risk	Probability	Potential Impact(s)	Management Ownership	Board Ownership	Mitigating Strategies
FINANCIAL	New Program Expense/Funding	Medium	High	CEO/CFO/CED Executive Director Startup Calgary	Board/Audit Committee	<ul style="list-style-type: none"> <li>- Manage program activity to available funding</li> <li>- Identify other revenue sources (GOA grants)</li> <li>- Educate Stakeholders around combined benefits of a CED/Startup Calgary program</li> <li>- Post Activity Analysis of Impact</li> <li>- Outsource ticket sales activity and event management to ensure quality</li> <li>- Ensure CED Executive Director Startup Calgary takes accountability for budgets, programming activity and funds raised</li> </ul>
	Startup Calgary legal entity operational/governance issues	Medium	High	Startup Calgary Board/CED Executive Director Startup Calgary/ CED CFO	Board	<ul style="list-style-type: none"> <li>- Purchase assets not the legal entity of Startup Calgary with indemnity provisions</li> <li>- Startup Calgary Board to ensure GST, taxes, annual filings are current and up to date and provide CED filings and notice of assessments</li> <li>- Ensure Startup Calgary reports 2016 and ongoing filing of taxes and registration</li> <li>- Startup Calgary Chair of Board is also appointed to CED Board and reports on</li> </ul>
	Fraud	Low	Low-Med	CED CFO	Audit Committee	<ul style="list-style-type: none"> <li>- Same risks as CED as part of CED operation and internal control framework. See CED risk.</li> </ul>
REPUTATIONAL & RELEVANCE	Negative media coverage/tarnished reputation	Low	High	CEO/VP Marketing & Communications/CED Executive Director Startup	CCE/Board	<ul style="list-style-type: none"> <li>- Outsource ticket sales and event management to enhance quantity and quality of programming</li> <li>- Ensure consistent messaging and official spokesperson have media training</li> <li>- Respond to all queries in timely and respectful manner</li> <li>- Crisis communication plan</li> </ul>
	Strategic Alignment	Medium	Medium	CEO/VP Research & Strategy/CED Executive Director Startup Calgary	Board	<ul style="list-style-type: none"> <li>- Maintain strong municipal government and private sector relationships to ensure strategic alignment to market needs</li> <li>- KPI calibration and alignment to achieve Innovation Strategy</li> <li>- Develop robust strategic plan and communicate accomplishments against strategic plan</li> </ul>
	Staff Conduct & Effectiveness	Low	Medium-High	CEO/CED Executive Director Startup Calgary	P&C	<ul style="list-style-type: none"> <li>- CED Executive Director (ED) Startup Calgary hired as an employee of CED</li> <li>- CED ED Startup Calgary acknowledgement and adherence to Policies and Procedures</li> <li>- CED ED Startup Calgary training and development</li> <li>- CED ED Startup Calgary acknowledgement of signed confidentiality clause in agreement pertaining to CED and third parties</li> </ul>
	Board Composition & Effectiveness	Low	Medium	CEO/CED Director for Startup Calgary	CGE	<ul style="list-style-type: none"> <li>- Startup Calgary Chair of Board is also appointed to CED Board to bring experience and expertise to Board of the program.</li> <li>- Board Member discipline on determining conflict of interest</li> </ul>
SAFETY & SECURITY	Death or injury to staff, volunteer or guest.	Low	High	CFO/CED Executive Director Startup Calgary	P&C	<ul style="list-style-type: none"> <li>- Utilize CED current processes</li> <li>- Sufficient insurance coverage for events (liability &amp; recovery cost)</li> </ul>
	Theft	Low	Medium	CFO	Audit Committee	<ul style="list-style-type: none"> <li>- Utilize CED current processes</li> <li>- Outsource ticket sales with automated processes</li> </ul>
SUSTAINABILITY & OPERATIONAL	Technology - loss of data	Low	High	CFO	Audit Committee/Board	<ul style="list-style-type: none"> <li>- Utilize CED current processes</li> </ul>
	Disrupted or significantly diminished operations	Low	Med-High	CED Startup Calgary Executive Director/Steering Committee	Audit Committee/Board	<ul style="list-style-type: none"> <li>- Business Continuity Plan that includes the exit strategy at the end of the pilot project</li> </ul>
	Shareholder Relationship	Low	Medium	CEO	Board	<ul style="list-style-type: none"> <li>- Regular meetings with Mayor, Council and Administration</li> <li>- Board and Committees include members from City Administration and/or Council</li> <li>- Create and communicate meaningful KPIs</li> </ul>
	Government regulations/legislation changes	Low	Medium	CFO	Board	<ul style="list-style-type: none"> <li>- Utilize CED current processes</li> <li>- Board Member report and monitoring of Startup Calgary previous legal entity</li> </ul>
	Non-compliance with Human Rights or Employment	Low	Medium	HR/CFO	Board	<ul style="list-style-type: none"> <li>- Utilize CED current processes</li> <li>- Board Member report and monitoring of Startup Calgary previous legal entity</li> </ul>
	IP	Low	High	CED Startup Calgary Executive Director/CEO	CGE/Board	<ul style="list-style-type: none"> <li>- Be cognizant of issues of infringement and agile in responding to them</li> <li>- Create inventory of Intellectual Property to transfer at the end of the pilot program</li> </ul>
	Loss of key staff	Medium	High	CEO/Steering Committee	P&C/Board	<ul style="list-style-type: none"> <li>- Competitive Salary and Benefits for CED ED Startup Calgary Executive Director</li> <li>- Create bonus that rewards for achieving strategic plan and success to the end of the pilot program</li> </ul>