

**Attach 1 - Wholly-Owned Subsidiary C2018-1240.docx**

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**EXECUTIVE SUMMARY**

The City of Calgary has established six arms-length corporations, or wholly-owned subsidiaries, where The City is the sole shareholder, to indirectly deliver programs and services to Calgarians, manage or operate City owned assets, and steward Council approved city-wide strategies. Annually at the Organizational Meeting, Council appoints Councillors to sit as directors of each wholly-owned subsidiary. The appointees are not officially appointed until each wholly-owned subsidiary holds its annual meeting of shareholders. To ensure the timely appointment of Council representatives to wholly-owned subsidiary boards, this report proposes that Council undertake a process at the 2018 Organizational Meeting on 2018 October 22 to approve written shareholder resolutions to immediately appoint Council nominees to each of the wholly-owned subsidiary boards.

**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; and
2. To confirm new appointments,
  - a) where the wholly-owned subsidiary has a shareholder approved Voting Procedure Resolution in place, execute the shareholder resolution following the process outlined in the procedure; or
  - b) in the absence of a Voting Procedure Resolution, 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.

**PREVIOUS COUNCIL DIRECTION / POLICY**

2017 October 30, Council adopted C2017-1078 Wholly Owned Subsidiary Councillor Appointment Process as follows: That Council: 1. Confirm and approve Council's nominees for appointment to the boards of directors of the following Wholly-Owned Subsidiaries: Attainable Homes Calgary Corporation, Calgary Arts Development Authority Ltd., Calgary Economic Development Ltd., Calhome Properties Ltd. operating as the Calgary Housing Company, Calgary Municipal Land Corporation, and ENMAX Corporation; and 2. Authorize the Mayor, or in the Mayor's absence, the Deputy Mayor, to execute a resolution on behalf of the shareholder for each of Wholly-Owned Subsidiaries named in Recommendation 2 appointing the Mayor and/or Councillor nominees for the term specified to the respective board of directors.

2017 February 13, Council adopted CPS2017-0094 Investing in Partnerships Policy as follows 1. Approve the Investing in Partnerships Policy (Attachment 1); and 2. Approve that the following policies be rescinded: Autonomous Bodies Policy and Framework (CSPS035) (Attachment 2), Civic Partners Review Reserve – Terms of Reference Policy (CSPS005) (Attachment 3), and Federation of Calgary Communities (CSPS009) (Attachment 4).

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2013 December 16, Council adopted C2013-0842 Corporate Secretariat- Phase 2 Model Documents and Workplan including Recommendations 2 as follows: Adopt Attachment 3, Model Governance Documents, Phase 2 as a tool for developing and enhancing governance relationships with The City of Calgary's subsidiaries.

2013 September 16 Council adopted recommendations in C2013-0685 Model Documents for Governance Relationships as follows 1. Receive this report for information; and 2. Adopt Attachment # 2 "Model Documents and Evaluation Framework" as a tool for developing and enhancing governance relationships with The City of Calgary's subsidiaries.

2012 May 28 Council received C2012-0302 Governance Relationships Review (Confidential) for information including an overview of leading practices and a proposed framework for establishing governance relationships between The City of Calgary and its wholly-owned subsidiaries.

### **BACKGROUND**

The City has established arms-length corporations, or 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.

As of 2018 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. No appointments are currently required for 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 after 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 Enmax Corporation (two Councillors).

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Annually, at the October 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). Most wholly-owned subsidiaries hold their AGMs starting in April. 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 (October) by Council 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.

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Administration is recommending that in the cases where a wholly-owned subsidiary does not have a Voting Procedure in place, 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 2018 board nominees. A sample resolution is included as an Attachment.

Once the 2018 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. Each of the affected wholly-owned subsidiaries, City Clerk's and the Law Department were previously consulted regarding the structure of the proposed resolution.

### **Strategic Alignment**

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

The proposal 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 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

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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 *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 FOR RECOMMENDATION:**

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.
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**ATTACHMENT**

Sample Resolution of the Shareholder