

Renewing the City's Commitment to Toronto Global

Date: March 1, 2019

To: Executive Committee

From: General Manager, Economic Development and Culture

Wards: All

SUMMARY

Toronto Global is a pan-regional foreign direct investment attraction organization that represents Halton, Mississauga, Brampton, Toronto, York and Durham (collectively the "Toronto Region"). All regions provide annual funding based proportionally by population along with provincial and federal government support. Toronto Global seeks a new five-year commitment with municipal partners as well as with the provincial and federal governments.

Staff recommend renewing the City's commitment to Toronto Global if the provincial and federal governments also commit. In the last three years, Toronto Global has made significant progress. With over 1,700 active opportunities in the sales funnel, it is in the best interest of all partners to continue the momentum of Toronto Global and commit to a multi-year agreement.

RECOMMENDATIONS

The General Manager, Economic Development and Culture recommends that:

1. City Council approve the City of Toronto's participation in Toronto Global for the period beginning April 1, 2019 and ending March 31, 2024 subject to the execution of a five year funding agreement with Toronto Global (the "Funding Agreement") subject to the following:

a. partner municipalities and regions also enter into the five-year Funding Agreement with Toronto Global;

b. the City's contribution amount in 2019 be \$890,412, with annual increases of 2% beginning in 2020, but only if the same proportional increases are agreed to by the partner municipalities as part of the Funding Agreement;

c. the Province of Ontario and the Government of Canada committing to enter into funding agreements with Toronto Global for five years;

d. the Funding Agreement is to include the requirement for Toronto Global to develop a five-year strategic plan within six months of signing the agreement that is to the satisfaction of the General Manager, Economic Development and Culture;

e. that the Funding Agreement and/or by-laws of Toronto Global, as appropriate and to the satisfaction of the City Manager and the City Solicitor, require:

1. public meetings of the Board of Directors and its committees;
2. public annual reporting on key performance indicators and the expenditures of directors, officers and other senior staff related to business travel, conferences and training, hospitality and protocol; and
3. a right of access to information in accordance with the principles outlined in section 1 of the *Municipal Freedom of Information and Protection of Privacy Act*.

f. City Council approve annual funding as part of the annual budget approval process; and

g. the Funding Agreement includes an exit clause with reasonable notice to all partners.

2. City Council authorize the General Manager, Economic Development and Culture to negotiate and execute the Funding Agreement with Toronto Global in accordance with terms outlined in recommendation 1 and in a form satisfactory to the City Manager, the City Solicitor and the Chief Financial Officer and Treasurer.

FINANCIAL IMPACT

Funding of \$890,412 for the City's share of support to Toronto Global is included in the Economic Development and Culture Division's 2019 Approved Operating Budget.

Toronto Global seeks funding commitments from partners for the 2019/20 to 2023/24 period. Partners have been asked to commit to annual increases of 2% year over year. If all other municipal partners agree to the annual adjustment, the City of Toronto's total increase in year-over-year funding would reach \$73,399 by 2023/24 with a cumulative impact of \$181,680.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of February 10, 2015, City Council directed staff to report as soon as possible on the options for the City of Toronto with regard to its participation in a foreign direct investment agency for the Greater Toronto Area. Council also directed staff to report back on discussions with federal, provincial, regional and municipal officials, as required, regarding proposals for a regional foreign direct investment agency.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.ED1.6>

At its meeting of June 10, 2015, City Council directed staff to report on the city's efforts to promote Toronto as an investment destination including the advantages and disadvantages of a regional economic development agency including any impacts on the operations of the city and/or its economic development corporations, specifically Invest Toronto, Build Toronto, and Toronto Port Lands Company. Council also directed staff to recommend levels of city funding for foreign direct investment promotion and attraction activities.

<http://app.toronto.ca/tmmis/viewagendaitemhistory.do?item=2015.au2.3>

At its meeting of September 30, 2015 City Council endorsed in principle the creation of a new GTA Regional FDI attraction agency which would include functions carried out by Invest Toronto, subject to a further report to Council on the specifics of the proposed organization, including its governance, funding formula and core operating elements such as strategy and positioning and subject to the City's financial contribution being approved in the 2016 budget process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.ED6.2>

On July 12, 2016, City Council received a report that outlined the progress in establishing the FDI Agency, "Toronto Global". At that meeting, City Council directed staff to enter into a three-year agreement with Toronto Global with regional municipal, provincial and federal partners.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.15>

COMMENTS

Initially launched in 2016 based on a three year funding agreement with a formal launch in 2017, Toronto Global is a pan-regional foreign direct investment (FDI) attraction organization that represents Halton, Mississauga, Brampton, Toronto, York and Durham (collectively the "Toronto Region"). The municipalities provide annual funding based proportionally by population. Toronto Global is also supported by provincial and federal government support. Toronto Global is now seeking a new five-year commitment from all government funders.

As the international sales organization focused on attracting new FDI for the Toronto Region, Toronto Global's mandate focusses on three key activities:

- Internationally selling and marketing the Toronto Region's value proposition and competitiveness;
- Conducting research and analytics; and
- Providing business services to prospective investors to assist them in establishing a physical presence and creating jobs.

Funding

In the first three years, Toronto Global was funded as outlined in the table below. Prior to the official launch of Toronto Global, the City of Toronto worked closely on the transition process, including using Invest Toronto's offices, to make a seamless shift from two separate agencies (Invest Toronto and Greater Toronto Marketing Alliance) to one new, much more robust regional organization launched as Toronto Global.

Table 1: Toronto Global Funding Structure 2016/17 to 2018/19

	2016/17	2017/18	2018/19	Total
Government of Canada	\$1,408,410	\$2,781,590	\$1,810,000	\$6,000,000
Government of Ontario*	\$1,524,370	\$975,630	\$2,500,000	\$5,000,000
Municipal Contributions	\$1,980,969	\$1,980,969	\$1,980,969	\$5,942,907
City of Toronto	\$890,412	\$890,412	\$890,412	\$2,671,236
York Region (on behalf of 9 municipalities)	\$329,389	\$329,389	\$329,389	\$988,167
Halton Region (on behalf of 4 municipalities)	\$160,038	\$160,038	\$160,038	\$480,114
Durham Region (on behalf of 8 municipalities)	\$206,397	\$206,397	\$206,397	\$619,191
Peel Region				
City of Mississauga	\$227,598	\$227,598	\$227,598	\$682,794
City of Brampton	\$167,135	\$167,135	\$167,135	\$501,405
	\$4,913,749	\$5,738,189	\$6,290,969	\$16,442,907

*The Province of Ontario also provided start-up funding of \$730,000 in 2015.

The governance model for Toronto Global is outlined in the organization's by-laws and the Municipal Funding Agreement. The governance model is as follows:

- An independent **Board of Directors** - members are from the private sector (two of which must reside in the City of Toronto). City Council does not appoint members to the Board.
- An overarching **Mayors and Chairs Strategic Council** - the Mayors and Chairs of the six funding municipalities (or their designates) which nominate Board members approve annual business plans, strategies and designation of new Municipal and Private Sector Funding Parties to the Funding Agreement.
- An **Economic Development Officers (EDO) Management Council** - senior EDOs (or their designates) from each of the funding municipalities ensure collaboration

among the funding municipalities as well as provide information and advice to the Mayors and Chairs Strategy Council and Toronto Global's management team.

The Funding Agreement and/or by-laws of Toronto Global include requirements that there are public meetings of the Board of Directors and its committees; public annual reporting on key performance indicators and the expenditures of directors, officers and other senior staff related to business travel, conferences and training, hospitality and protocol; and a right of access to information in accordance with the principles outlined in section 1 of the *Municipal Freedom of Information and Protection of Privacy Act*. City staff are recommending this be continued in the new Funding Agreement.

Toronto Global provides an annual business plan that is approved through its governance structure. It is recommended that future commitment to the organization be contingent on the development of a five year strategic plan within six-months of signing the agreement.

As a requirement of the original Municipal Funding Agreement, Toronto Global is to present annual achievements to each of the Councils of the municipal partners. This is to be continued as part of a new agreement.

Progress to Date

With the international investor being at the centre of Toronto Global's outreach, the agency works to ensure alignment with all funding partner strategies (municipal, provincial and federal) to present a collective value proposition for the Toronto Region. In 2018/19, the organization's objectives were as follows:

- 30 new investments
- 900 new jobs (within 3 years)
- \$250 million invested
- 350 opportunities transferred into the sales funnel

According to Toronto Global, since officially launching in 2017, they have reported the following successes for the Toronto Region, exceeding the objectives for the last fiscal year:

- Number of deals since launch: 59 (FY 2017/18: 27; FY 2018/19: 32)
- Number of jobs created: 3,506 (total projected in first three years)
- Capital expenditure: \$494 million

Toronto Global has noted that since 2017, Toronto has benefited from 52 investments of these investments which should result in almost 2,000 new jobs and capital expenditures of about \$400 million. Some of these investment include:

- Booking.com - technology; call centre
- HSBC - financial sector
- Etsy - technology; machine learning/artificial intelligence
- Peninsula Group - human resources; business services
- Ebury - finance and technology
- Samsung Research America - technology; machine learning/artificial intelligence
- Filament AI - artificial intelligence consultancy

Toronto Global works with a sales funnel approach with the following stages:

- **Target Pool:** Companies that have been referred to Toronto Global or identified as potential prospects to contact.
- **Prospect:** Qualified leads that have engaged with Toronto Global and have some future plan to expand.
- **Level 1:** Serious interest to expand or relocate with willingness to consider the Toronto Region. Project timeline: within three years.
- **Level 2:** Committing resources to expansion. Project is three to 18 months from decision.
- **Level 3:** In the process of establishing a location in the Toronto Region. Investment timeline: within three months.

As of February 2019, Toronto Global's active opportunities are as follows:

- Prospect: 1,099
- Level 1: 415
- Level 2: 175
- Level 3: 71

Level 3 opportunities breakdown further with 7 companies that have confirmed investment in the Toronto Region by hiring or closing a real estate transaction, 21 companies that have stated they will invest in the region but have not determined the exact location and 43 companies that are within three months of making a final decision. Top countries within the sales funnel are the U.S., India and Netherlands. The top sectors within the sales funnel are ICT and Digital Media, Life Sciences and Business and Industrial Services. Further details can be found in Attachment 1: Toronto Global Pipeline Report.

Toronto Global Request

With the initial three year agreements now concluding, Toronto Global is seeking funding commitments and certainty from government partners for the 2019/20 to 2023/24 period outlined in the table below. Partners have been asked to commit to annual increases of 2% year over year.

Table 2: Toronto Global Future Funding Requests 2019/20 - 2023/24

Toronto Global Stakeholders	Annual Core Funding Request
Government of Canada	\$3,500,000
Government of Ontario	\$2,500,000
Municipal Contributions	\$2,000,000
Invest Canada-Community Initiatives program (Government of Canada)	\$400,000
Total	\$8,400,000

Conclusion

Staff recommend a renewed commitment of five years to Toronto Global, subject to a number of conditions including if the provincial and federal governments also commit. Federal and provincial support is required to ensure the organization has adequate resources to attract investments which benefit Ontario and Canada's economy. In addition, ongoing federal and provincial commitment would mirror the government support for similar organizations in Canada's other large cities.

In three years, Toronto Global has made significant progress in starting up a new organization while building a pipeline of new opportunities. With over 1,700 active opportunities in the sales funnel, it is in the best interest of all partners to continue the momentum of Toronto Global and commit to a multi-year agreement. Support from all governments will provide the organization with stability and provide the necessary supports for current and future clients that wish to settle in the region.

The City of Toronto will continue to undertake a number of internationally-oriented activities such as the International Alliance program, in-bound missions and locally based support for export, all of which will also include some targeted missions to further Toronto's interests in a complementary way to regional efforts. These activities will continue to be done in a way to ensure maximum leverage with the activities of Toronto Global.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1: Toronto Global, Pipeline Report, February 21, 2019