

RE: TA3.2



TAF

DEVELOPING A LC3/GMF TEMPLATE AGREEMENT

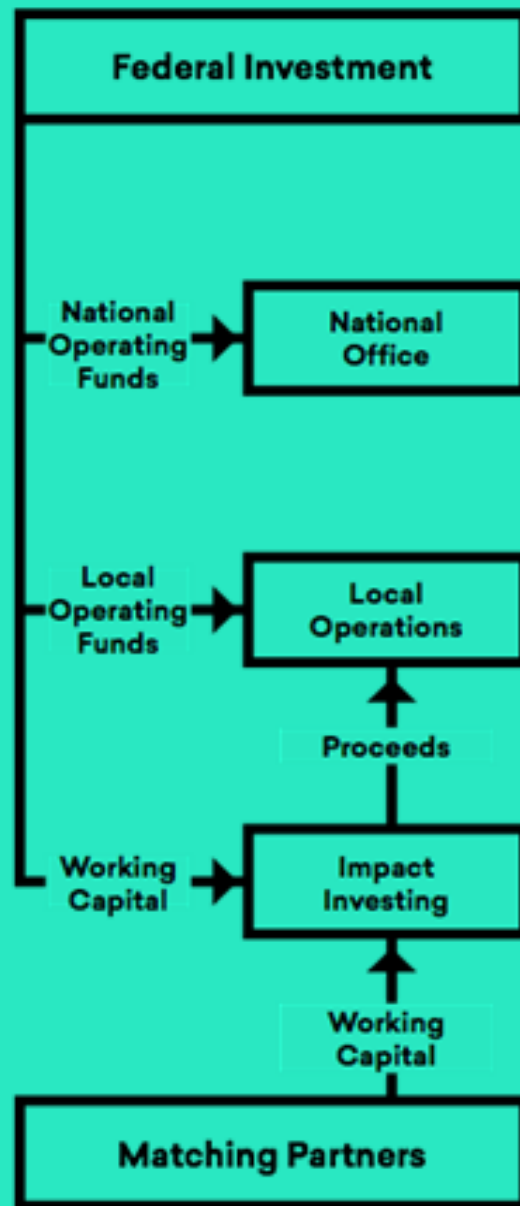
July 2019 **VERY VERY VERY DRAFT OUTLINE**

Transformative Funding

7 Centres **\$165m**
Endowment **\$167m**
GMF

Centre start-up **\$14m**
Operating **\$4m**
National office

\$350m



PROJECT AND PURPOSE

- Establishment of an \$XX million endowment by LC3 Centre, to be maintained in perpetuity
 - TAF endowment \$40M
 - Other Centres between \$15-30M
- Objective: to support local community actions to reduce GHG emissions.
- TAF is one of 8 endowments (6 other LC3 centers + GMF) with the same purpose.



RELATIONSHIP BETWEEN THE PARTIES

- GMF transfers Federal funds to each LC3 Centre, provides ongoing oversight and accountability
- LC3 Centres invest the funds and use the proceeds to advance the mandate
- Other party/ies, eg: the City of Toronto will enter into agreements with FCM and LC3 centres regarding governance, in-kind support, reporting, etc.

TRANSFER AND USE OF OPERATING FUNDS (N/A TO TAF)

- When and how Operating Funds (\$14M) will be transferred to local LC3 Centres including:
 - Ability to spend down;
 - Eligible expenses;
 - Readiness for receiving funds;
 - Accounting and reporting requirements;
 - Etc.

TRANSFER AND USE OF ENDOWMENT CAPITAL

- When and how Endowment Funds will be transferred to local LC3 Centres, ie: readiness:
 - Governance;
 - Internal capacity;
 - Partnership with municipality/ies.

MANAGEMENT OF ENDOWMENT FUNDS BY LC3 CENTRES

- Expectations to safeguard endowment assets:
 - GMF approval of investment policy >> for TAF, City Council and GMF
 - Compliance with investment policy;
 - Capital preservation strategy
 - Separate fund accounting and proportional funding;
 - GMF consent to pledge the funds;
- Ground rules for collaborative investment by multiple LC3 Centres and GMF

ENDOWMENT LEVERAGE REQUIREMENT

- Within 10 years, each LC3 Centre must:
 - a) secure >80% match of the federal endowment, or
 - b) secure 100% match with >50% endowment + balance as project leverage
- Definitions TBD
 - Endowment leverage
 - Project leverage
- Consequences if leverage targets are not met (see Events of Default)
- Note: TAF match in place

USE OF THE PROCEEDS OF THE ENDOWMENT FUNDS

- Expectations for how proceeds of the funds will be used, including:
 - Eligible expenses;
 - Grants policy and governance;
 - Administration thresholds;
 - Purchasing policy;
- Max. 80% from proceeds of the funds for any funded/financed projects

LC3 CENTRE REPORTING REQUIREMENTS TO FCM

- Timing: Quarterly, Annual, Special?
- Standardized KPIs and other content:
 - GHG impact
 - financial results
 - leverage achieved
 - Co-benefits?
- Statement of compliance
- Process for approval; obligations for revisions or clarifications
- Record maintenance requirements
- Use of individual Centre data

GMF ACCOUNTABILITIES & ROLES

- National Office:
 - Governance and oversight
 - Accountability to GoC
 - Facilitate shared services
 - Knowledge-sharing
- GMF Council Subcommittee – to support oversight
- Develop and implement own LC3 program

LC3 FEES TO GMF

- To cover:
 - Governance, oversight & accountability functions
 - National Office roles & responsibilities
- Requires transparency to ensure based on actual costs;
 - max 1% but aim for 0.4%.
- Drawn first from \$4 million National Office allocation

OTHER KEY TERMS

- Definitions
- Review & amendment – 5 year review required by FCM/Canada Agreement
- Default, Cure, Dispute Resolution, Consequences
- Communications requirements
- Reps & Warranties
- Applicable laws & policies

CITY OF TORONTO REQUIREMENTS AND EXPECTATIONS

- Section 8 of TAF Act guides custody and investment of the endowment funds:
 - City approves Investment Policy
 - Funds in custody of City Treasurer until required by TAF
- Funds accounted for separately from TO and ON endowments.
- No City recourse to Federal endowment funds.
- Audits undertaken by City or FCM to be shared.
- Other TBD

PROCESS & TIMELINE

- July-September: Negotiate template agreement between LC3 and GMF; ideally covering +90% of terms
- October: Negotiate tripartite TAF-GMF-City agreement; input from City, Board advisory group
- November 11: Agreement for TAF Board approval
- December Agreement for City Council approval
- Spring 2020: other LC3 Centres negotiate their agreements
- TAF funds received before December 31, 2019.



THANK YOU

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