



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Tri-partite Agreement regarding the Government of Canada Endowment

Date: October 25, 2019
To: Toronto Atmospheric Board of Directors
From: Chief Executive Officer

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report:

- involves the security of property belonging to the City of Toronto and Toronto Atmospheric Fund.
- is about a plan to be applied to any negotiations carried on or to be carried on by or on behalf of the City of Toronto and Toronto Atmospheric Fund.

SUMMARY

This report provides an update on and overview of the proposed negotiation of a tri-partite Funding Agreement that is underway between TAF, the City of Toronto and the Federation of Canadian Municipalities (FCM) governing the \$40 million Federal endowment TAF will receive and administer. Approval by TAF's Board and Council will be required for execution.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Toronto Atmospheric Fund Board of Directors direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it involves the security of property belonging to the City of Toronto and Toronto Atmospheric Fund and about a plan to be applied to any negotiations carried on or to be carried on by or on behalf of the City of Toronto and Toronto Atmospheric Fund.

FINANCIAL IMPACT

None to the City.

BACKGROUND

In the 2019 federal Budget, the Government of Canada announced a \$350 million contribution to the Federation of Canadian Municipalities' (FCM's) Green Municipal Fund (GMF). This includes \$183 million for the Low Carbon Cities Canada (LC3) initiative, a partnership between seven local centres, including TAF, and FCM that was incubated by TAF. The overarching goal of LC3 is to "create a network across Canada that will support local community actions to reduce GHG emissions." TAF will receive a \$40 million Federal endowment and TAF-like endowments will be established in six other cities/regions. FCM will establish a new \$167 million LC3 endowment to serve other towns and cities.

TAF is working collaboratively with the six other LC3 centres to negotiate an indicative Term Sheet with FCM, which will guide the development of the individual Funding Agreements with each of the seven centres. The LC3 group engaged legal counsel to develop the first draft of a Term Sheet, which drew significantly on the TAF/City of Toronto/Province of Ontario Transfer Payment Agreement (TPA) signed in October 2016. FCM will undertake the legal drafting of the individual Funding Agreements.

A tri-partite Agreement between TAF, the City of Toronto and FCM will govern the \$40 million Government of Canada endowment which is being provided in perpetuity (subject to certain conditions) for the purpose of undertaking TAF's current mandate throughout the Greater Toronto and Hamilton Area (GTHA). Consultation with our solicitor and City of Toronto staff (City Manager's Office and City Legal) is underway to ensure appropriate terms and conditions including those which apply uniquely to TAF and the City because of our robust governance and accountabilities and the need to recognize and protect our two current endowments. While not yet drafted, the emerging Agreement will hopefully establish a clear and effective mechanism for TAF to receive and invest the funds, use the proceeds, maintain the authorities of Council over TAF's governance under the TAF Act and via the City Council approved Relationship Framework and Statement of Investment Objectives & Principles, and establish the relevant accountabilities between TAF, the City of Toronto and FCM. A preliminary outline of the terms and condition is provided in Confidential Attachment 1.

FCM will provide accountability to the Government of Canada regarding the eight LC3 endowments. FCM will also support the LC3 program including via collaboration and shared services among the endowments and undertaking knowledge sharing. The Funding Agreement will provide the seven LC3 Centres and FCM with appropriate governance over these functions and spending, which will be paid for by the endowments.

The TAF Board established an ad hoc advisory group to help guide the fundraising and agreement development process. Current members are Parminder Sandhu, Kim Marshall, Karim Bardeesy, Jennifer McKelvie and Andrew Dooner. Regular updates have been provided and members have responded to specific requests for advice. A meeting will be convened shortly to advise on the next stage of negotiations.

The experience with the Ontario endowment indicates that, in addition to approval of the Funding Agreement, several ancillary Council approvals may be relevant including

amendment of the Relationship Framework to reflect and operationalize that endowment, Council /delegated authority regarding from Section 11 (8) and (9) to address the challenges posed to making financial commitments or contractual obligations that extend beyond the term of Council without prior Council authorization until such time as amendment of the TAF Act can be secured; and terms for repayment within two years of up to \$250,000 which the Board has authorized TAF to spend in advance of actually receiving the Federal funds.

The Funding Agreement will require approval from both the TAF Board and City Council. Given that TAF could be earning approximately \$30,000 more per week compared to how FCM current has the funds invested, the aim is to receive and deploy the funds with our portfolio managers as soon as possible. As such, a special meeting of the TAF Board may be warranted to enable Council to consider and approve of the Agreement at its earliest opportunity – possibly its January or February meeting.

TAF staff will work with City colleagues and TAF's Solicitor to finalize the TAF/COT/FCM Funding Agreement and bring forward recommendations required for the execution and implementation of the new Federal endowment.

DECISION HISTORY

On February 9, 2017, the TAF Board approved TAF's 2017 Business Plan which included a project to "Explore opportunities to attract contributions and/or financing for TAF's core capacities through emerging federal and provincial climate programs".
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.TA14.4>

On February 9, 2018, the TAF Board approved TAF's 2018 Business Plan which included a project to Increase TAF's Capital Pool through "Low Carbon Cities Canada (LC3): As one of six LC3 centres, request a total of \$115 million in federal investment for the network and attract \$40 million as "working capital" to enhance TAF's capacity to invest and advance low-carbon solutions in the GTHA."
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.TA19.4>

On February 22, 2019, the TAF Board approved TAF's 2019 Business Plan, which includes "Low Carbon Cities Canada (LC3): If successful, support the engagement of a national support organization, negotiation of funding agreements, roll-out of capital to six partner centres, and enhancement of TAF's endowment and capacity".
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.TA1.5>

On July 19, 2018, the TAF Board received a presentation regarding LC3, and struck the Ad Hoc LC3 Advisory Group, comprised of the Board Chair and two other members, to provide guidance to staff on advancing the Low Carbon Cities Canada initiative, and if relevant, make recommendations to the Board of Directors of the Toronto Atmospheric Fund concerning implementation of this opportunity, including consultation with the City Manager regarding the Toronto Atmospheric Fund/City relationship.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.TA21.4>

At its meeting on April 30, 2019 the TAF Board Directed TAF staff to: a. Negotiate an agreement with the Federation of Canadian Municipalities Green Municipal Fund (GMF) specifying the terms and conditions for receiving, use of, and accountability for the \$40

million federal endowment whose purpose is to support and advance actions in the Greater Toronto and Hamilton Area (GHTA) that will reduce greenhouse gas emissions, in consultation with City staff via the City Manager's Office, and with guidance from the Ad Hoc LC3 Working Group and the Investment Committee; and Prepare the terms and conditions of a final agreement with the Federation of Canadian Municipalities Green Municipal Fund (GMF), to the satisfaction of Toronto Atmospheric Fund's Solicitor, the City Solicitor, the City Manager, the City's Chief Financial Officer and Treasurer, for the Board and City Council approval at the earliest opportunity. The TAF Board also appointed Jennifer McKelvie, Sandra Odendahl, Karim Bardeesy, and Andrew Dooner to the Ad Hoc LC3 Working Group

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.TA2.4>)

CONTACT

Julia Langer, Chief Executive Officer, jlanger@taf.ca

SIGNATURE

Julia Langer
Chief Executive Officer

ATTACHMENTS

Confidential Attachment 1 - Preliminary Outline of Terms for a Funding Agreement between Toronto Atmospheric Fund (TAF); City of Toronto (COT); and Federation of Canadian Municipalities (FCM)