



REPORT FOR ACTION

Appointment to Clean Air Investment Trust Ventures Inc.

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

SUMMARY

The Clean Air Investment Trust Ventures Inc. (CVI) is a wholly-owned subsidiary of TAF. Its Board of Directors is made up of at least three members of the TAF Board. Changes to the CVI Board membership are recommended given retirements from the TAF Board.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Toronto Atmospheric Board of Directors:

1. Remove Sandra Odendahl as a director of the Clean Air Investment Trust Ventures Inc. Board of Directors.
2. Appoint Parminder Sandhu to the Clean Air Investment Trust Ventures Inc.

FINANCIAL IMPACT

None to the City.

DECISION HISTORY

In [2000](#), TAF's Board approved the establishment of a trust to be named Clean Air Investment Trust (CAIT), to manage a portion of TAF's assets, potentially along with other public and private investment, to fund energy efficiency retrofit and related projects. CAIT Ventures Inc. (CVI) was incorporated as a for profit wholly owned subsidiary of TAF in 2001 and TAF provided CVI with the funds required to establish CAIT. The project and approach initially contemplated did not proceed and CVI has remained dormant since. For further clarity, the Clean Air Investment Trust was not established and does not exist, and CAIT Ventures Inc. is the subject of this report.

On [May 8 and 9, 2012](#), City Council requested that all Agencies and Corporations inform the City Manager of any subsidiaries, joint ventures or equity interests and required that financial statements be provided within three months of the year end and be available for the Budget Committee. As a wholly-owned subsidiary, CVI finances are audited and reported annually along with TAF's.

On [June 25, 2012](#), TAF's Board established an Unanimous Shareholder Declaration (attached) which entirely restricts all of the powers of the directors of CAIT Ventures Inc. (CVI) to manage the business and affairs of CVI (including the power to pass resolutions and the power to make, amend or repeal by-laws that regulate the business or affairs of the Corporation) and gives TAF the sole and exclusive power and responsibility, to be exercised pursuant to written authorization of the TAF Board of Directors, to manage all of the business and affairs of CVI. CVI's Board consisted of three members of TAF's Board: Todd Ross (Chair), David Wai (Treasurer), and Shelley Carroll (Vice-Chair).

In 2003, City Council approved the first TAF/City Relationship Framework, including Section 6.3.2 which requires Council approval of "the establishment, amendment or dissolution by TAF of subsidiary entities, agreements with other agents to perform parts of TAF's mandate, and joint ventures and formal business partnerships involving a legal relationship or financial obligation." This clause is maintained in the 2006 and the [2013 Relationship Framework](#). CVI's establishment in 2001 pre-dates this requirement. On [September 23, 2014](#), on the advice of City Legal, TAF's Board agreed to, formally and post hoc, seek Council approval for the establishment of CVI, and directed TAF to execute the ECC investment, for subsequent transfer to CVI once CVI is formally approved by Council.

Current Directors were appointed in December 2015 to hold office until their successors are duly elected and/or appointed

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.TA6.6>

COMMENTS

CVI was established under the Ontario Business Corporations Act on February 26, 2001 to advance energy efficiency projects, with a focus on opportunities where third party investment would complement and enhance TAF's investment capacity.

CVI is a wholly-owned subsidiary of TAF. Governance by and accountability to TAF is ensured through three mechanisms:

- Three directors of CVI are drawn from TAF's Board of Directors;
- A "Unanimous Shareholder's Declaration" (USD) – a form of control agreement provided for under the Ontario Business Corporations Act -- has been established that restricts all of the powers of the directors of CVI to manage the business and affairs of CVI and provides TAF's Board of Directors with sole and exclusive power and responsibility to manage all of the business and affairs of CVI. As such CVI's decision-making is subject to the same governing rules as TAF itself and only with the authorization of the TAF Board; and

- The accounts and financial statements of TAF and CVI are fully integrated; CVI's are audited and reported annually with TAF's by the City-appointed Auditor, and submitted to the City of Toronto for review and approval of the Audit Committee and Council.

The initial energy efficiency project contemplated by CVI in 2001 was the replacement of appliances in approximately 4,000 Toronto Community Housing Corporation units, structured as an off balance sheet (leasing) transaction that would bring together financing from various investors alongside TAF's. The transaction was subsequently completed with capital from Federation of Canadian Municipalities (FCM) and Royal Bank of Canada (RBC), without TAF's financial participation. Also, the development of a Trust model was abandoned.

There has been no activity in CVI for over a decade. However, the company has been maintained as it could have value given that TAF's direct investment priority is energy efficiency, including investments structured as Energy Savings Performance Agreements (ESPA). In particular, there are certain "tax advantaged investment" structures that TAF as a not-for-profit cannot benefit from, but CVI being a for-profit could. The cost of keeping CVI in place is nominal. As required, CVI's financial statements are consolidated with TAF's.

On the advice of City Legal, TAF would need to secure formal Council approval for CVI to City Council, since it was incorporated prior to the requirement for Council approval of any subsidiary established in the 2006 and current (2013) Relationship Framework. This has not actively been pursued but keeping CVI provides the flexibility to do so if and when an appropriate need and opportunity arises.

CONTACT

Julia Langer, jlanger@taf.ca

SIGNATURE

Julia Langer
Chief Executive Officer