

## **Renewing the City's Partnership with Toronto Global**

**Date:** March 15, 2022

**To:** Executive Committee

**From:** Interim General Manager, Economic Development and Culture

**Wards:** All

### **SUMMARY**

---

Launched in 2017, GTA Region Investment Attraction (also known as "Toronto Global") is the regional foreign direct investment (FDI) attraction organization representing Toronto, Mississauga, Brampton, Halton, York and Durham. Operating as an independent not-for-profit organization reporting to its own board of directors, Toronto Global receives funding from the governments of Ontario and Canada as well Toronto area municipalities. The current 3-year agreement specifying the financial contribution which municipalities, including the City of Toronto, provides to Toronto Global expires on March 31, 2022.

In its first five years Toronto Global has helped to attract more than 160 new investments to the city and region of Toronto. Together, these investments created nearly 9,000 direct jobs and involved approximately \$1.7 billion in capital expenditures. A significant majority of these investments landed in the City of Toronto itself.

Informed by its experience to date, government funder expectations (including with respect to return on investment), and best practices used by FDI attraction organizations in leading international urban centres, Toronto Global has proposed a new governance and financial framework for its relationship with Toronto area municipalities. This new model calls for increased funding from - and direct representation on its Board of Directors for - the City of Toronto, commensurate with Toronto Global's contribution to the city's economic success and its international business engagement and investment attraction needs.

Subject to certain conditions being met, including most notably continued funding contributions for Toronto Global from the governments of Ontario and Canada at no less than current levels, this report recommends an enhanced City funding contribution for Toronto Global for the three year period running from April 2022 through March 2025.

A new municipal governance and funding model for Toronto Global, accompanied by sustained and sufficient funding support from Ontario and Canada, will enable it to make an even stronger contribution to Toronto's economic success in the coming years.

## RECOMMENDATIONS

---

The Interim General Manager, Economic Development and Culture recommends that:

1. City Council approve the City of Toronto's continued participation in Toronto Global, inclusive of:
  - a. a minimum of two City of Toronto representatives on its Board of Directors, composed of the Mayor of Toronto or designate appointed by the Mayor and a second (and any additional) public member appointed by City Council in accordance with the terms set out in Attachment 1; and
  - b. annual funding of no less than \$2 million, for the period beginning April 1, 2022 and ending March 31, 2025 subject to the execution of a three year funding agreement with Toronto Global (the "Funding Agreement") which substantially includes the terms set out in Attachment 1.
2. City Council authorize the General Manager, Economic Development and Culture and the Deputy City Manager, Community and Social Services to negotiate and execute a Funding Agreement with GTA Region Investment Attraction (operating as Toronto Global) in accordance with recommendation 1 and on such terms and conditions as are satisfactory to the City Manager and Chief Financial Officer and Treasurer, and in a form approved by the City Solicitor.

## FINANCIAL IMPACT

---

Consistent with the payment schedule of the most recent three-year municipal funding agreement with Toronto Global which expires March 31, 2022, City funding of \$944,912.33 for Toronto Global is included in the 2022 Council Approved Economic Development and Culture's Operating Budget.

This report recommends increasing the City's annual funding contribution to Toronto Global from its current level of \$944,912.33 to \$2,000,000, rising by 2 percent in the second and third years, respectively, of a new three-year funding agreement from April 1, 2022 - March 31, 2025.

To support the enhanced level of City funding for Toronto Global, funding of \$1,000,000 is available in the 2022 Council Approved Non-Program Expenditure's Operating Budget. City staff will submit a request to transfer this funding from Non-Program to Economic Development and Culture through the first 2022 Operating Variance report. The remaining funding requirement will be accommodated within the 2022 Council Approved Economic Development and Culture's Operating Budget.

Contingent on continued provincial and federal funding support for Toronto Global, future financial impacts arise from the 2 percent annual increase will be included in Economic Development and Culture's future year budget submission for consideration.

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

## **DECISION HISTORY**

---

At its meeting on February 10, 2015, City Council directed staff to report on options regarding the City of Toronto's participation in a foreign direct investment agency for the Greater Toronto Area, and 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 on 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 on 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>

At its meeting on July 12, 2016, City Council approved the City of Toronto's participation in Toronto Global for an initial three year period, subject to various conditions and the negotiation of a funding agreement with Toronto Global and other Toronto area municipalities.

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

At its meeting on March 27, 2019, City Council approved a renewal of the City's commitment to Toronto Global for a 5-year period beginning April 1, 2019 and ending March 31, 2024.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX3.8>

At its meeting on October 2, 2019, City Council adopted MM10.34 adjusting the previously approved 5-year term for a new agreement with Toronto Global to a 3-year term.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM10.34>

## COMMENTS

---

### The Importance of Foreign Direct Investment to the City's Economic Recovery and Growth

Attracting foreign direct investment is an essential pillar of economic growth and recovery for the city and region of Toronto, Ontario and Canada. Investment in Toronto by companies based overseas, or the expansion of foreign-owned firms already based in Toronto, generates high paying jobs, increases exports, strengthens supply chains, and introduces new technologies that can enhance productivity throughout entire (sub) sectors of the economy.







Competition for foreign direct investment, which has always been high, is expected to intensify in the coming years as, on the one hand, more countries open their markets to foreign investment through trade agreements, while technology enables integrated, cross-border production and collaboration; and on the other hand, supply-chain vulnerabilities revealed during the COVID-19 pandemic encourage some international firms (potentially incited by government policy) to on-shore and consolidate operations in their home or fewer countries.

In this context, it is more important than ever for the city and region of Toronto to be represented on the world stage by a properly resourced, effectively governed, and operationally sound FDI attraction entity.

### Toronto Global's Performance and Investment Pipeline

Since the start of its operations in 2017, Toronto Global has helped to attract 168 new investments to the Toronto Region. These investments have generated over 9,600 direct jobs and resulted in approximately in \$1.9 billion in capital expenditures (CAPEX). During this time, the city of Toronto has benefited from 135 of 168 regional investments, which in turn led to the creation of 6,145 jobs, and \$1.3 billion in CAPEX.

Examples of firms which have invested in Toronto in the past three years include:

<b>COMPANY</b>	<b>SECTOR</b>
 Twitter	ICT and Digital Media
 Reddit	ICT and Digital Media
 Pinterest	ICT and Digital Media
 Doordash	ICT and Digital Media
 Tonal Systems	Life Sciences
 Stoopid Buddy Stoodios	Entertainment

Toronto Global uses an investment pipeline sales funnel model which distinguishes between three "levels" of prospects, each with its own time horizon:

- **Level 1:** Serious interest to expand or relocate coupled with a willingness to consider the Toronto Region. Project timeline is within three years.
- **Level 2:** Committing resources to expansion. Project timeline is three to eighteen months from decision.
- **Level 3:** In the process of establishing a location in the Toronto Region. Investment timeline is within three months.

As of March 2022, Toronto Global reports being engaged with 650 firms at Level 1, 347 firms at Level 2, and 67 firms at Level 3. Top countries within the sales funnel are the U.S., Europe and Asia. The top sectors represented by companies in the sales funnel are, respectively, information and communication technology and digital media; advanced manufacturing; and life sciences. Further details can be found in Attachment 2: Toronto Global Pipeline Report March 2022.

**Historical and Proposed Municipal Funding for Toronto Global**

Toronto Global currently receives funding from the governments of Ontario and Canada and various municipalities in the Toronto area.

The current three-year funding agreement detailing the financial contribution which municipalities, including the City of Toronto, provide to Toronto Global expires on March 31, 2022. This agreement uses a population-based formula to determine each participating municipality's financial contribution.

As the chart below indicates, over the past three years, the City of Toronto contributed 45 percent of total municipal funding for Toronto Global while being the location of 83 percent of the new investments made in the region. Most of the investments in this period which did not wind up in Toronto were located in Mississauga.

While a significant foreign direct investment in any Toronto region municipality benefits residents and suppliers in nearby and neighbouring jurisdictions (as well as Canada and Ontario and the region as a whole), the population-based formula used between 2019 - 2021 for determining each participating municipality's share of funding for Toronto Global is no longer supported by municipalities outside Toronto which have not seen new investments in proportion to their funding contribution to the organization.

	2019/20	2020/21	2021/22	Total
City of Toronto	\$ 890,412	\$ 908,220	\$ 926,385	\$ 2,725,017
Other municipal funding partners	\$ 1,090,557	\$ 1,112,368	\$ 1,134,616	\$ 3,337,541
Total municipal funding	\$ 1,980,969	\$ 2,020,588	\$ 2,061,001	\$ 6,062,558
Toronto's % of municipal funding	45%	45%	45%	45%
Total investments	49	22	32	103
Investments locating in Toronto	42	16	27	85
% of investments locating in Toronto	86%	73%	84%	83%

Informed by its experience to date, government funder expectations (especially with respect to return on investment), and best practices used by FDI attraction organizations in leading international cities, Toronto Global has proposed a new governance and funding framework for its relationship with Toronto area municipalities for the three year period running from April 1, 2022 - March 31, 2025.

This new model calls for increased funding from - and direct representation on Toronto Global's Board of Directors for - the City of Toronto, commensurate with the organization's contribution to Toronto's economic success.

Proposed Municipal Funding	2022/23	2023/24	2024/25	Total
City of Toronto**	\$ 2,000,000	\$ 2,040,000	\$ 2,080,800	\$ 6,120,800
Other municipal funding	\$ 250,000	\$ 255,000	\$ 260,100	\$ 765,100
Total municipal funding	\$ 2,250,000	\$ 2,295,000	\$ 2,340,900	\$ 6,885,900
	89%	89%	89%	89%

With Toronto's funding for Toronto Global effectively doubling to \$2 million per annum, matching the current level of funding provided the Government of Canada, the City assumes a full order of government partnership and leadership role within Toronto Global in the proposed new model.

If this enhanced level of City funding for Toronto Global is authorized and agreed to, Toronto's annual investment in a purpose built FDI attraction agency between 2022 and 2024 will still be significantly less than the \$2.7 million provided by the City to Invest Toronto in its final full year of operations in 2015. Invest Toronto was the Toronto-specific, not regional, FDI attraction agency which operated from 2009 to 2015.

**Updating Toronto Global’s Governance Structure**

Toronto Global’s current multi-layered governance model is administratively complex. Its Board of Directors, comprised exclusively of private sector representatives, meets approximately five times a year. At present, Toronto Global is also accountable to a Mayors’ and Chairs’ Strategy Council, which meets two to three times a year and has authority to approve the organization's strategic plan and annual business plan (which includes its operating budget, board remuneration, market and sector priorities, etc.), as well as any proposed changes to Toronto Global's name or funding agreements, among other matters.

A third level of input to Toronto Global comes from municipal government economic development professional staff through an Economic Development Officers (EDO) Management Council, which meets approximately five times a year. This body provides a forum for:

- dialogue, consultation, and reporting requirements for each municipality
- discussion for developing the business plan

- discussion of regular reports provided by Toronto Global
- information exchange to support initiatives
- dialogue and consultation on issues related to operational cooperation between Toronto Global and its municipal funding partners

Toronto Global also makes annual appearances, upon request, to municipal councils, but is not required to take direction from them. Finally, Toronto Global tracks and reports separate sets of key performance indicators (KPIs) to its principal government funders, the governments of Ontario and Canada.

To enable Toronto Global to dedicate more energy to high-impact operations, while promoting stronger and more balanced governance from the organization's principal government funding partners (namely, Canada, Ontario and the City of Toronto), the following changes to the organization's governance model are proposed by Toronto Global:

- Elimination of the Mayor's and Chair's Strategic Council and the EDO Management Council.
- Introduction of an expanded, blended Board of Directors consisting of both private sector representatives and representatives from government funding partners, with authority to approve Toronto Global's strategy and annual business plan.
- As a principal funder and partner of Toronto Global, the City of Toronto would hold two permanent seats on the Board of Directors, one for the Mayor of Toronto (or designate) and the second being a public member appointed by City Council on the recommendation of the Civic Appointments Committee.
- Other municipalities will have the option to participate in a three year agreement with Toronto Global as 'Municipal Collaborators', with a requirement for each city to provide a minimum of \$50,000 in funding annually. Collectively, Municipal Collaborators will be provided with a maximum of one (1) permanent seat on the Board of Directors. Each Municipal Collaborator would be eligible for the seat on a bi-annual rotating basis and be selected by the Municipal Collaborators themselves. The seat would be reserved for the Mayor or Chair of the selected Municipal Collaborator.
- Toronto Global will convene a Joint Advisory Committee, which includes economic development officers of all municipal members and Toronto Global staff. This committee will be co-chaired by a member of Toronto Global's Executive Management Team and a Municipal Member representative. The Committee will meet bi-annually to discuss progress, results and other relevant matters.

## **Global Best Practices**

In addition to partner perspectives and the organization's experience to date, the proposed changes to Toronto Global's funding and governance model are informed by an assessment of best practices used by other regional foreign direct investment

attraction agencies. With support from Deloitte, Toronto Global reviewed approaches used by the following FDI entities: Montreal International; London and Partners; New York City Economic Development Corporation; Chicago Regional Growth Corporation; World Business Chicago; Edmonton Global; and the Los Angeles County Economic Development Corporation. Of note:

- All comparator organizations reviewed have some form of public sector representation on their Board of Directors, the majority including elected officials.
- Toronto Global is comparatively under-resourced. The average annual budget of peer organizations is approximately \$17.6 million (CAD) vs. Toronto Global's average annual budget of \$6.5 million (CAD).
- All peer regional FDI organizations benefit from sustained long-term funding.

## **Conclusion**

In summary, increasing the City of Toronto's annual investment in Toronto Global from approximately \$1 million to \$2 million for the next three years is recommended for the following reasons:

1. To support Toronto's economic growth and recovery from the impacts of the COVID-19, it is critical for the City to be represented and supported by a focused, sufficiently resourced, effectively governed FDI attraction agency.
2. The proposed level of City investment in Toronto Global is commensurate with the benefits Toronto has received from the organization in recent years and is on track to realize again over the next three years given the depth and breadth of Toronto Global's investment pipeline.
3. Increased City funding for Toronto Global will support the continued participation of other area municipalities in a regional FDI attraction agency. A regional entity, in turn, is in a far stronger position than a Toronto-specific one to attract and sustain the scale of investment required from the governments of Ontario and Toronto to ensure the entity's ability to represent the City's interests and compete effectively with well-funded regional FDI entities in other major urban centres.
4. Proposed corresponding changes to Toronto Global's governance model, including most notably the inclusion of (no less than) two permanent seats for City of Toronto representatives on its Board of Directors, will strengthen the organization's accountability and focus, and ensure that its activities are aligned even more closely with the City's international business and economic development goals.

## **CONTACT**

---

Tobias Novogrodsky, Director, Business Growth Services, Economic Development and Culture, 416-392-6904, [Tobias.Novogrodsky@toronto.ca](mailto:Tobias.Novogrodsky@toronto.ca)



## **SIGNATURE**

---

Cheryl Blackman, Interim General Manager, Economic Development and Culture

## **ATTACHMENTS**

---

Attachment 1 - Terms and Conditions for a New Funding Agreement with Toronto Global

Attachment 2 - Toronto Global Pipeline March 2022

## **Attachment 1 - Terms and Conditions for a New Funding Agreement with Toronto Global**

- a. as the principal municipal funder and partner, the City's funding contribution amount in 2022 will be \$2,000,000; and increase by 2 percent annually for the duration of the term and subject to continued provincial and federal funding support for Toronto Global at no less than current levels.
- b. a Province of Ontario commitment to continue to fund Toronto Global in the amount of no less than \$2,500,000 per year.
- c. a Government of Canada commitment to continue to fund Toronto Global in the amount of no less than \$2,000,000 per year.
- d. a minimum of two voting members on the Board of Directors of Toronto Global shall be representatives of the City of Toronto, with one member being the Mayor of Toronto or designate and the second (and any additional) member being a public member appointed by City Council on the recommendation of the Civic Appointments Committee, in accordance with the Public Appointments Policy for a term coincident with the funding agreement with Toronto Global.
- e. Toronto Global's annual business plan and any multi-year strategy be subject to review by and align with the strategic goals of the Economic Development and Culture Division of the City of Toronto.
- f. 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:
  - i. public meetings of the Board of Directors and its committees;
  - ii. 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
  - iii. 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.
- g. City Council approving funding for Toronto Global as part of the City's annual budget process;
- h. the Funding Agreement include an exit clause with reasonable notice in favour of the City; and
- i. Toronto Global and the City of Toronto's Economic Development and Culture division co-develop a rolling 18-month work plan which identifies organizational roles and collaboration opportunities related, without limitation, to: out-bound and in-bound missions; research and knowledge-sharing; marketing; and lead generation and client

servicing for FDI and select (larger-scale) Business Retention and Expansion opportunities.