

## The Future of Community Futures

An Ontario Perspective  
As presented at CF National Event in Halifax  
May 30<sup>th</sup>, 2012  
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### Current Situation

- Ontario Community Futures includes 61 organizations with 37 in rural Southern Ontario and 24 in Northern Ontario
- All 61 CFDCs were the responsibility of FedNor/Industry Canada until 2009 when a new regional development agency - FedDev - was created for Southern Ontario
- The envelope of resources for the Community Futures Program is \$11.3 M from FedDev for the Southern CFDCs and \$8.3 M from FedNor for the Northern CFDCs for a total of \$19.6 M

### Current Situation

- The average operating contribution in the North is \$300,000, and in the South is now \$290,000
- Average loans per year per CFDC over the last 7 years is \$936,000
- Average portfolio size is \$3.3 m
- Average number of loan clients is 74
- Average assets under management is \$4.6 m

### Current Situation

- We have a managed IT infrastructure using TEA X in a centralized environment
- We have a bilingual website ontcfdc.com and a toll free roll over phone # 866-ont-cfdc supporting the CFDC brand

### Current Situation

- We offer a number of group insurance products for our members – employee health and RRSP, and Director's and Officers, and Errors and Omissions Coverage
- We offer a bilingual online learning platform for employee and client professional development
- We host an annual conference alternating between Northern and Southern Ontario

### Current Situation

- There are four regional networks in Ontario – the Northwest, the Northeast, the East and the West
- Each operates differently according to the dynamics in their region
- Each region elects representatives to the nine member provincial association board

### Current Situation

- Although Ontario created the first central investment fund in 1997, known as the Asset Management Program, by 2003 it had served its purpose and was wound down when FedNor was able to once again provide “top up” capital to CFDCs
- We are pleased to see that our colleagues across the country have designed similar central investment funds to meet their distinct circumstances

### Current Situation

- Unique to Ontario, are three loan syndicates which address the need for access to capital between the \$150,000 and \$500,000 range
- These shared-risk loan portfolios allow a CFDC to sponsor a small business loan for an initial \$150,000, with the balance of the loan co-funded equally by the other CFDC partners in the loan syndicate, for example a \$475,000 loan in the NE would receive \$150,000 from the originating CFDC and \$25,000 from each of their 13 partners

### Current Situation

- Also unique to Ontario, is the Eastern Ontario Development Program or EODP
- This initiative grew from a pilot project in 2004, to a fully funded \$10 M/year program that is administered by the 15 CFDCs in the East
- Not for profit and private sector organizations can apply for funding under 5 initiatives: business planning, youth internships, skills development, innovation and information communication technology, and community innovation

### Current Situation

- The CFDC and Association infrastructure has also been leveraged in a segment of western Ontario with two regional economic diversification fund models
- From 2006 to 2009, the Community Transition Program, funded by the Ontario Ministry of Agriculture Food and Rural Affairs, provided \$15 M in matching grant funding to businesses and community groups to help the region adjust to the downturn in the tobacco industry

### Current Situation

- From 2009 to 2012, the Sand Plains Community Development Fund, through Agriculture and Agri-Food Canada, provided \$14.1 M distributed as \$2.7 M in grants to not-for profit regional projects and \$10.2 in loans through 5 CFDCs

### Change

- Change began in Ontario in the summer of 2009, when the Government of Canada called on CFDCs to assist in delivery of its Economic Action Plan
- On May 31<sup>st</sup>, CFDC lending limits in Ontario were temporarily increased to \$250,000, and they were eligible for up to \$100,000 in additional operating funds to perform outreach and get more loans out quickly
- This was followed in August 2009, with the official start of the Federal Economic Development Agency for Southern Ontario, and the dividing of the Community Futures Program funding into two pockets with the 37 Southern CFDCs now reporting to FedDev Ontario

### Change

- I want to change course a little bit here and give you the context of what was involved in creating a new regional development agency in Southern Ontario
- Historically, it has been a 2 year process to start up agencies like ACOA, WD and CEDQ
- FedDev was a response to the economic crisis in Southern Ontario. They were tasked with setting up as quickly as possible to deliver \$1 billion in programming in a five year window from 2009 to 2014 – that equates to \$200 M per year for 5 years. FedDev's goal is to have all funds committed by 2013 in time for the 5 year evaluation results for renewal of the agency

### Change

- Community Futures was the only program FedDev had to start with
- The Southern Ontario Community Futures staff from FedNor were transferred into FedDev, but then a whole new lineup of more than 100 people were hired to develop a host of new programs in short order

### Change

- Now back to the CF Program, and Canada's Economic Action Plan - Southern Ontario CFDCs received an additional \$20 M in investment capital to support the new \$250,000 loan limit; while Northern Ontario CFDCs received an additional \$17 M in investment capital
- Southern Ontario CFDCs also asked delivered a \$10 M Community Adjustment Fund in a 6 month time frame, which they did very successfully by March 31, 2010.

### Change

- By June 2010, to reinforce the value of the CF Lending Program in Ontario, the association commissioned a study by the Conference Board of Canada
- Based on CFDC lending results from the last 5 years, and using the Conference Board's econometric model, the study showed that for each \$1 of direct lending through the Community Futures Program, real GDP is lifted by nearly \$4.22.
- I think that study carried some weight since yesterday, when Minister Valcourt spoke at the Atlantic AGM he used a similar statistic.

### Change

- We used this study to support our advocacy efforts for the renewal of the CF Program
- And were just as pleased as all of you with the announcement of the program renewal for another 5 years, but concerned that operating funds were being held at \$300,000 in a time of rising costs, a 40% increase in business due to the economy and the \$250,000 lending limit

### Results

- In Northern Ontario, CFDCs, using a conversation café discussion process (which by the way came from our experiences at the National Event in Whistler) – CFDCs brainstormed on how to achieve operating savings and generate extra revenue?
- These discussions were summarized in a report to FedNor and resulted in 2 key opportunities:
  - Northern CFDCs could deduct the audit fees associated with their lending activities from their investment funds and
  - they could increase their revenue by charging an administrative fee for the delivery of another FedNor program – the Local Initiative Contribution or LIC

### Results

- This consultation process was built on the 25 year relationship FedNor has with its community partners
- A partnership that has been used numerous times in northern Ontario, where CFDCs develop solutions to community based issues and FedNor can respond with appropriate programming to address them

### Results

- In Southern Ontario, during the month of August 2010, FedDev requested the 5 year historical lending data from CFDCs with a 20 day deadline for reporting
- The Association interceded on their behalf and got an extension of 10 days, which was facilitated by a new data collection report using TEA X

### Results

- In early 2011, FedDev came forward with the concept of a Performance Based Funding Model for Southern Ontario CFDCs
- The association advised FedDev that consultation with CFDCs was critical to the process of implementing a new funding model and two information sessions, one for each region east and west were pulled together and followed by a request for CF volunteers on a smaller working group to consult with on the details

### Results

- By April, a new model was presented to Southern CFDCs which included:
  - A reduction of CFDC operating funds from \$300,000 to a base of \$285,000 with the opportunity to earn back \$15,000 if a CFDC met a set of Business Practice Standards
  - And a further opportunity to earn an additional \$5,000 to \$40,000 in operating funds if a CFDC met its Key Performance Indicators, for delivery in all four lines of business – community planning, business counseling, access to capital and community projects

### Results

- To facilitate the new model, all Southern CFDC contribution agreements were moved to an April 1<sup>st</sup> 2012 renewal and extended to March 31, 2014. The Performance Based Funding Model is now being implemented.
- For Northern Ontario CFDCs, its business as usual with all 24 offices receiving \$300,000 in operating funds, with some receiving extra for official languages services and remote travel.

### Future

- There is a new opportunity in Southern Ontario which extends CFDC's lending capacity into new territory
  - The two regional CFDC networks (15 in the East) and (21 in the West) were approached in late December to develop a delivery mechanism for a \$20 M regional innovation fund
  - Features of the fund include loans of \$150,000 to \$500,000 to business located anywhere in Southern Ontario – not just rural Ontario
  - Governance of the fund is through the regional network boards with adjudication of the loans by a finance committee that includes partners from other jurisdictions
  - Loans will be targeted at companies with 50 - 500 employees who need financing to implement innovative processes in knowledge based industries

### Future

- The regional innovation funds will be announced next month and have already hired staff
- The opportunity clearly takes the CFDC experience to a new realm, not with CF Program Funds, but through the delivery of FedDev Program funds, a realm of :
  - New loan thresholds
  - And urban not just rural markets
  - All based on the strength of the CFDC lending infrastructure and experience

### Future

- As I stated earlier for Northern Ontario, the future is business as usual built on a 25 year legacy of partnership with rural communities that have seen their share of the ups and downs that come with resource based economies
- The forestry sector is having its difficulties, tourism is recovering slowly while the mining sector is booming and Northern CFDCs are responding accordingly
- They are talking about ways to cope with rising costs, and fluctuating loan demand and capitalization

### Future

- For Southern Ontario CFDCs, business will be different
- The southern CF program, is one component of several contribution programs in a \$200 M envelope
- As such, it has fallen into the 10% across the Board deficit reduction plans

### Future

- Three weeks ago, Southern CFDCs were advised that the CF Program budget was being challenged with a \$1.1 M cut
- The 5 year review of CFDC performance revealed a 25% decline in loan activity and the highest levels of net cash on hand ever seen in the program
- From a pure business perspective, the CF Program was deemed to be stagnant with no growth
- As a result, Phase 1 of the reduction in funding is a 6% decrease in operating funding, so as I mentioned earlier the opportunity to earn \$15,000 under Business Practice Standards has been reduced to only a \$5,000 opportunity

### Future

- Southern CFDCs were also challenged with a philosophical change in how TEA X software is funded and when presented with the option of paying for the software from operating funds or investment funds have chosen the option of being allowed a one time draw of up to \$6,000 from their investment funds to pay for the operating costs of this data management software and the managed IT services to support it to March 31, 2013
- However with challenge comes opportunity and where FedDev never previously considered allowing CFDCs to draw from their investment funds for operating costs, the door has now been opened

### Future

- The one time draw also provides us with the opportunity to complete an evaluation of CFDC current information management and reporting needs and benchmark these needs to what software is now available to meet those needs efficiently and transition accordingly

### Future

- Phase 2 of FedDev's deficit reduction plan will see a reassessment of the CF Program delivery in consultation with CFDCs, the networks and the association to determine how to maintain the commitment to a performance based funding model with incentives for receiving more operating funding for reaching key performance indicators while living within an \$11.3 M funding envelope

### Future

- The discussions in which we will participate over the next two days and the examples you have heard this morning are timely for Ontario CFDCs to ride the waves of change and swim in the oceans of opportunity