



FEDNOR MEMORANDUM

To: Northern Ontario CFDCs

Date: 2019-07-18

Subject: Annual Performance Standards for CFDC Activities

ISSUE

To assist FedNor in determining the impacts and overall performance of Community Futures Development Corporations (CFDCs), annual performance standards for CFDC activities have been established to reflect the socio-economic conditions of the regions served by the CFDCs.

BACKGROUND

The Annual Performance Standards for CFDC Activities were originally implemented in July 2015 and were updated in July 2019 following a review of the CFDC results against the performance standards. The annual performance standards remain unchanged, however the CFDC groupings were updated as follows:

- South Temiskaming CFDC has moved from the Urban Adjacent group to the Intermediate group as a result of Temiskaming Shores falling below the threshold to be considered a Census Agglomeration in the 2016 Census
- Waubetek has been moved to the Rural/remote group so that all Indigenous CFDCs are within this category, and the definition has been updated to reflect this change

HISTORY

The 2008 evaluation of the Community Futures Program recommended that FedNor "...work with CFDCs to establish target ranges for the level of activity for CFDCs (e.g., number of loans, investment fund growth). These ranges should be developed in consideration of factors that may influence the activities of CFDCs (e.g. geographic location, demand for services). This would provide a guide for Program Officers and assist them in understanding whether CFDCs could be more effective in delivering the program or achieving program results".

In order to fulfill this recommendation, average CFDC activity ranges were developed. Preliminary analysis was undertaken to identify possible relationships between CFDC levels of activity (using historical performance data) and socio-economic conditions of the regions served by CFDCs (using data from Statistics Canada). Minimal variables were examined and no direct relationship was found. FedNor thus proceeded with establishing a universal range of activities for the CFDCs in Northern Ontario, effective April 24, 2014.

In 2014-15, a socio-economic analysis of the geography served by CFDCs in Northern Ontario was completed by a consultant (Kathy Wood). The report suggests it is possible to use socio-economic data to summarize the current conditions of communities in CFDC areas and use this information to create categories of communities that CFDCs are serving. With a better understanding of the nature of the communities each CFDC services, it was suggested that expectations on Key Performance Indicators can be calibrated accordingly.

A subsequent analysis of CFDC performance against the average ranges was completed using seven years of performance data in order to validate the ranges. The analysis revealed that activity levels among CFDCs



varied greatly, and that the current ranges were not appropriate for all CFDCs in light of the variations among the regions they served.

As a result of the analysis, a new methodology was proposed to establish targets and a suggestion was also made to move away from average ranges of activity, towards performance standards. The new methodology uses the five year average of the 20th percentile to establish the minimum performance standard and is therefore more reflective of the variation in performance among the CFDCs and less subject to influence from outliers. An upper end to the performance standards is also provided which is based on the five year average of the 90th percentile.

CONSIDERATIONS

A detailed analysis was undertaken to identify options for grouping CFDCs with similar activity levels. Eight options were developed, and the four most homogenous options were presented to the Northern Ontario Performance Measurement Committee in February 2015, which is comprised of six CFDC representatives and FedNor Management and Staff. The new methodology was also reviewed with the committee.

The group supported moving forward with the recommended option and establishing annual performance standards for the following three groups of CFDCs: Rural/remote; Intermediate; and Urban adjacent.

These groups were developed by using both geography and metropolitan influence. Metropolitan influence is determined using the Census Metropolitan Area (CMA) and Census Agglomeration (CA) designations produced by Statistics Canada. A CMA must have a total population of at least 100,000 of which 50,000 or more must live in the core. A CA must have a core population of at least 10,000. To be included in the CMA or CA, other adjacent municipalities must have a high degree of integration with the core, as measured by commuting flows, derived from previous census place of work data.

Urban adjacent includes CFDCs with a CA or CMA within their regional boundaries. Intermediate includes CFDCs from Northeastern Ontario without a CA or CMA. The CFDCs from Northwestern Ontario without a CA or CMA, as well as the Indigenous CFDCs are classified as rural/remote. Note that the NADF office in Thunder Bay was excluded for the creation of these groups.

A decision was also made to remove individual CFDC targets for the following financial performance indicators, in order to replace these with program level targets:

- Leverage ratio
- Cash balance as a % of 5 year disbursements
- % of investment fund in active loans
- 5 year loan loss rate

Note that these financial indicators would continue to be used at the individual CFDC level when determining CFDC eligibility for capitalization contributions.

RESPONSE

Moving forward, CFDCs are encouraged to use these annual performance standards to guide their planning efforts and to establish measurable objectives and performance targets for each of the four areas of CFDC activity. This change does not replace CFDC boards' responsibility to establish targets based on their strategic planning process. Boards would continue to be encouraged to establish aggressive targets that take into account considerations such the CFDC's historic performance, status and trends in the region's



economy, activities of other business service providers, needs of the community(ies), capacity of the CFDC and so on. These objectives will be specified in your Contribution Agreements.

Program Officers are expected to use these annual performance standards to guide the review and assessment of CFDC Business Plans. Officers are responsible for ensuring that CFDCs have established targets that meet or exceed the minimum performance standards. The degree to which CFDCs demonstrate the achievement of the performance standards will also be considered when assessing risk. These assessments will assist Officers in the development of CFDC monitoring plans and the identification of mitigation measures that ensure improvement or maintenance of activity levels is achieved.

On an annual basis, the performance standards will be reviewed following the submission and analysis of updated CFDC results data. At that time, the performance standards may be adjusted as needed.

See Annex A – Annual Performance Standards for CFDC Activities.

For further information, please contact your Program Officer.

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