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The Regional Municipality of Durham Report

From: Commissioner of Planning and Economic Development
To: Planning and Economic Development Committee
Report: #2023-EDT-12
Date: September 5, 2023

Subject:

Confidential Report of the Commissioner of Planning & Economic Development – Closed matter regarding a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board as it relates to bringing the Business Advisory Centre Durham (BACD) into the Regional Corporation

Recommendation:

That the Planning and Economic Development Committee Recommends to Regional Council:

- A) That the responsibility for the delivery of programs and services currently delivered by the Business Advisory Centre Durham Inc. (BACD) be assumed by the Regional Municipality of Durham, to be a new Section housed within the Economic Development and Tourism Division, subject to the satisfaction of the following three conditions:
- i) A funding agreement is executed with the Province of Ontario for the Region to assume the annual core funding for these services in the approximate amount of \$191,000 per year;
 - ii) An agreement is reached with BACD for the dissolution of the not-for-profit corporation 'Business Advisory Centre Durham Inc.' with all liabilities assumed by BACD, and assumption by the Region of responsibility for the programs and services;

- iii) Current permanent BACD personnel are appointed to roles at the Region in a permanent capacity, including the assessment of roles and satisfaction of the Region's obligations under its collective agreements, if applicable;
 - iv) The current lease at 3000 Garden Street, Suite 300 is successfully terminated;
- B) That three new permanent full-time positions, and one new permanent part-time position be created, and that staff be directed to pursue the integration of all current permanent BACD employees into these new permanent, full-time and part-time Region of Durham positions;
- C) That the CAO be authorized to execute such agreements as may be necessary to implement this integration, subject to the satisfaction of the Regional Solicitor and Commissioner of Finance;
- D) That the Region's fees and charges schedule be amended at a date to be determined, to include the fee schedule for the services to be provided, as included in Appendix A;
- E) That the cost and revenue associated with the Region providing the programs and services of the BACD be incorporated into future Region of Durham Business Plans and Budgets pending the successful integration;
- F) That at the appropriate time, the Board of Directors of the BACD be thanked for their contributions over the years to support and grow entrepreneurship in Durham Region, and that the Directors be invited to join an ad hoc informal advisory group to provide ongoing advice concerning the BACD strategic plan; and
- G) That at the appropriate time, the closed session confidentiality of this report may be waived by Regional Staff in order to make this report available to BACD, the Ministry of Economic Development, Job Creation and Trade (MEDJCT), Durham Area Municipalities and the public.
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Report:

1. Purpose

- 1.1 The purpose of this report is to recommend that the programs and services of Business Advisory Centre Durham (BACD) be brought into the Regional Municipality of Durham subject to securing a satisfactory co-funding agreement with the province.

2. Background

- 2.1 BACD was incorporated as a not-for-profit organization in May of 1999, as Durham Region's Small Business Enterprise Centre (SBEC). It was created as the result of an agreement between the Region of Durham and the Provincial Ministry now operating as the Ministry of Economic Development, Job Creation and Trade (MEDJCT), to serve small businesses and budding entrepreneurs through the delivery of skills, knowledge, tools and resources required to start and grow successful small businesses.
- 2.2 BACD is overseen by a Board of Directors and operates under the leadership of a CEO tasked with managing the operations, delivering on the strategic plan, and fulfilling the funding obligations to the Province and Region. The Board of Directors includes one ex officio position for each of the primary funders, being the Region of Durham's Director of Economic Development & Tourism, and the MEDJCT Regional Advisor. Additionally, the Board has one member appointed by Regional Council, and a number of other at-large positions. The current Council representative on the BACD Board of Directors is Councillor Sterling Lee. The BACD team currently operates out of 3000 Garden Street, Suite 200 and consists of three full-time permanent employees, one part-time employee, and one contract service provider.
- 2.3 The Mission of BACD is for every served entrepreneur to build a successful business.
- 2.4 BACD has been delivering business planning workshops and programs for 24 years in Durham Region. They have worked with over 17,500 entrepreneurs in the community, delivering assistance to build the skills and knowledge needed to thrive and be successful in their business objectives. BACD has helped start over 2,000 businesses and delivered 2,500 workshops since inception.
- 2.5 BACD has certified business advisors with extensive experience as entrepreneurs and business owners. They are passionate about supporting the local businesses to become successful, create jobs, and contribute to a thriving community around them.

Provincial Small Business Enterprise Centres (SBEC) Program

- 2.6 The Province of Ontario, through MEDJCT, funds a network of 54 SBECs. These 54 centres offer deep local expertise pertaining to small business success. Many of these centres are managed and run by individuals who have had previous success

running their own small business, and these centres employ staff who have substantial business experience and a wealth of volunteer knowledge.

- 2.7 Collectively, the SBEC network delivers services in French and English through over 35,000 one-on-one business consultations per year, as well as through focused events on topics such as financials, accounting, bookkeeping, financial literacy for business, business planning, marketing, sales strategy, networking, business modelling, business sustainability and operations. The Provincial SBEC network supports 10,000 businesses and creates over 6,000 jobs each year.
- 2.8 The SBECs receive annual core funding from the Province through MEDJCT (in southern Ontario) and the Ministry of Northern Development (in northern Ontario), as well as matched funding from their respective municipalities.
- 2.9 In addition to small business advisory services, the SBECs are responsible for running the Starter Company Plus program (since 2014) and the Summer Company program. The provincial SBEC program has existed for 25 years, and these groups are an integral component of the entrepreneurship ecosystem in Ontario. They serve businesses in all industry sectors and all stages of the business life cycle, and to diverse audiences in both official languages.

BACD Funding Sources

- 2.10 BACD has been funded through annual core funding agreements with both the Province and Region since 1999. BACD currently receives annual funding from the Province in the amount of \$191,000 and from the Region of Durham in the total amount of \$244,222 (comprised of \$163,200 for BACD operating costs and \$81,022 for the leased office space and facility costs). BACD also receives revenue collected from event registration fees, sponsorships, and other program services delivered. The projected amount of this revenue for 2023 is \$35,000.

Jurisdictional Scan

- 2.11 Of the 54 SBECs in the provincial network, only four are independent non-profit organizations, being: BACD, London Small Business Centre, Guelph Business Centre, and Nipissing Parry Sound Business Centre.
- 2.12 The remaining 50 SBECs are housed within the local economic development organization or within the economic development department of the municipal government for that geography.

Ready Set Future: Five Year Economic Development and Tourism Strategy

2.13 In 2022, Council endorsed Ready Set Future, the Region's new five year economic development and tourism strategy. Through engagement with over 80 leaders from the Region's municipal, business, academic, and innovation communities, it was identified that there may be benefits and opportunities associated with the integration of BACD into the Region's Economic Development and Tourism Division, and that this should be explored. Action Item 3.4.6 was created, to 'Explore bringing the BACD into the Regional Corporation' in 2023.

3. Previous Reports and Decisions

3.1 This is the first report recommending that BACD be brought in-house.

3.2 #2022-EDT-15 – Ready Set Future: Five Year Economic Development and Tourism Strategy and Action Plan.

4. Analysis and Integration Plan

4.1 The prospect of dissolving the BACD and incorporating its functions within the Region's Economic Development and Tourism Division has been carefully considered by Regional staff from various departments, namely: Planning and Economic Development, Corporate Services (HR), Finance, and CAO's Office (Legal). Staff have determined that there would be several advantages to such a governance change, including:

- i) Improved ability to deliver services with broad geographic reach across all areas in Durham more inclusively. This would be achieved through leveraging the relationships between the Economic Development and Tourism Division and area municipal economic development staff through the Durham Economic Development Partnership (DEDP).
- ii) A more integrated approach, which will place Durham in a better position to achieve Goal 3.1 of Ready Set Future, to strengthen the innovation community and support start-ups.
- iii) Capture economies of scope by using the existing Regional Headquarters and the shared meeting rooms of that and other Regional facilities for seminars and workshops, as well as through avoided costs such as external accounting and audit fees.

- iv) Improved services delivery to entrepreneurs in the priority clusters identified in Ready Set Future: Creative Industries, Next Gen Mobility, Clean Energy, Applied Digital Tech, and Agri-Food. Since existing Regional staff have sector experience and expertise in these clusters, integration is expected to result in more valuable advice and a higher relevance of programming.
 - v) Improved service delivery through oversight by the Region's Director of Economic Development and Tourism and through the ongoing direction of Committee and Regional Council.
 - vi) Experienced Economic Development staff within the same team to help contribute to, collaborate with, and guide the long-range planning of small business initiatives.
 - vii) Renewed and strengthened partnership between the Region and the entrepreneurship community, small business community, and with MEDJCT.
 - viii) Greater public profile of the organization which may, in turn, provide opportunities to generate new revenue through corporate sponsorships (presently collected by BACD).
 - ix) Opportunity for the Region to become a recognized leader in Ontario for small business development and leverage the small business services to improve attraction of small businesses and talented entrepreneurs.
- 4.2 There were minor disadvantages identified with this proposed governance change. There is a level of autonomy and independence that would be lost affecting nimbleness and potentially flexibility. The dissolution of the Board of Directors could eliminate a source of valuable guidance from successful entrepreneurs; however, this could be mitigated by maintaining an informal advisory group comprised of successful entrepreneurs.
- 4.3 The idea of bringing BACD in-house is supported by its current CEO who ideally would stay on as a Regional employee to manage the new Section.
- 4.4 Further explained under Section 5 Financial Implications, it is projected that there could be a modest increase in Regional funding above the 2023 budgeted contribution. This financial projection is dependent on the Region securing a funding agreement with the Province, not renewing the current lease at the end of its term, and maintaining the required level of program and sponsorship revenues. In addition, by bringing the BACD services in-house at Regional headquarters the

Regional funding provided for lease costs and facility maintenance can now be redirected to core service delivery and support for small businesses. Additional details on the financial implications of this proposal are located in Section 5 of this report.

- 4.5 Importantly, the business case is entirely dependent on approval by MEDJCT to redirect the annual core operating funding from BACD to the Region of Durham, which amounted to \$191,647 in 2023. If this commitment cannot be secured, the integration will not proceed. However, it is expected that approval will be granted since Durham would be adopting the prevailing service delivery model for SBEC services in Ontario, and given the province's general support for small business and entrepreneurship.
- 4.6 Additionally, many advantages listed are dependent on the appointment of current BACD employees to equivalent positions within the Region. Their experience, expertise, and knowledge are critical to the continuity of service delivery and value to the entrepreneurship community.

Integration Plan

- 4.7 Staff have determined a recommended sequence of activities.
- 4.8 If approved by Council, the first activity will be engaging in discussions with MEDJCT and BACD. The Region and BACD will jointly notify MEDJCT of the Region's intent to assume the responsibility for small business services and programming, and request to enter into a funding agreement or take assignment of the existing funding agreement.
- 4.9 Upon successful negotiations of a funding agreement with MEDJCT, four new permanent positions will be created and assessed:
- i) Manager, Entrepreneurship Centre (reporting to the Director of Economic Development and Tourism) (full-time)
 - ii) Business Start-Up Advisor (full-time)
 - iii) Program Assistant (full-time)
 - iv) Administrator (part-time)
- 4.10 The Region will determine which, if any, of the new positions would be covered by a collective agreement and, if required, reach terms satisfactory to any applicable union to bring the current employees of BACD into the equivalent new Regional positions.

- 4.11 Upon execution of all necessary agreements, the BACD Board of Directors will be requested to wind up the not-for-profit corporation, terminating all agreements, including employment agreements, and draw on their cash reserves as necessary to satisfy all liabilities and obligations under applicable law. As part of this process the Region will work with the BACD and its Directors to negotiate the transfer of any remaining assets of interest to the Region post integration.
- 4.12 Regional staff will provide the required notice to end the lease agreement at its completion date of August 31, 2024.
- 4.13 Immediately upon successful wind-up of the corporation and subject to successfully entering into the agreements identified above, the individuals previously under the employ of BACD will be appointed to the newly created equivalent Regional positions.
- 4.14 The name 'Business Advisory Centre Durham / BACD', and the BACD brand, will become the property of Durham Region, and will continue to be used, and will be amended or refreshed from time to time.
- 4.15 The new Small Business Advisory Section will report in to the Planning and Economic Development Committee through the Economic Development and Tourism Division, and be based in Regional Headquarters.

5. Financial Implications

- 5.1 Included as Appendix B is a proforma budget showing current revenues and expenses and projections for the two scenarios considered, business-as-usual and integrating BACD into the Region.
- 5.2 In 2023, the Region of Durham budgeted funding totaling \$244,222 for BACD core operations and facilities. BACD also receives core funding from the Province of Ontario in the amount of \$191,647 and has additional program and sponsorship revenues of approximately \$35,000, for total annual revenues of \$470,869. Budget annual expenses for 2023 including lease and facility costs are \$507,920, projecting a deficit of \$37,051 which would be drawn from BACD's reserve fund.
- 5.3 Once fully integrated into the Region of Durham, there are projected total annual expenses of \$501,598. If the Provincial contribution remained \$191,647, and BACD collects \$26,780 in sponsorships and other revenue (conservative estimate), the Region's share may increase. The Region would continue to look for opportunities

for additional efficiencies, cost savings, and revenue enhancements to reduce the overall financial impact.

6. Relationship to Strategic Plan

6.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

- i) Goal 3: Economic Prosperity - To build a strong and resilient economy that maximizes opportunities for business and employment growth, innovation and partnership.
 - Item 3.1 Position Durham Region as the location of choice for business
 - Item 3.2 Leverage Durham's prime geography, social infrastructure, and strong partnerships to foster economic growth
- ii) Goal 5: Service Excellence - To provide exceptional value to Durham taxpayers through responsive, effective and fiscally sustainable service delivery.
 - Item 5.1 Optimize resources and partnerships to deliver exceptional quality services and value

7. Conclusion

- 7.1 BACD delivers critical and valuable services to the entrepreneurship and small business community. In the process of developing Ready Set Future, the Region's new five-year economic development strategy, an opportunity was identified to explore bringing the valuable services of BACD into the Regional Corporation due to potential advantages.
- 7.2 Staff have carefully considered this governance change, and have determined that there would be several advantages, including improved service delivery, improved collaboration with Regional economic development staff, renewed and strengthened partnerships with the Province, and improved potential to deliver small business services throughout the entire geographic area of the Region.
- 7.3 The Finance and Corporate Services Departments and the CAO – Legal Division have reviewed this report and concur with the recommendations.

Respectfully submitted,

Original signed by

Brian Bridgeman, MCIP, RPP, PLE
Commissioner of Planning and
Economic Development

Original signed by

Elaine Baxter-Trahair
Chief Administrative Officer

Appendix A – Fee Schedule

Fee Schedule	Resident of Durham Region	Outside Durham Region
Business Advisory Session for Business partners / teams using Growth Wheel tool	75.00	300.00
Business Advisory Session for additional advisory sessions above 8 hours and/or if you are outside the Durham Region	50.00	200.00
Smart Start Coaching Program	240.00	750.00
Business Plan / Cash Flow Projections Review Reviewing your business plan with you including editing and suggestions for content.	150.00	600.00
BN / HST / Payroll Registration Walking you through registering for your CRA accounts.	75.00	300.00
Sole Proprietorship Registration/Service Walking you through the registration process to register your business.	25.00	100.00

Fee Schedule	Resident of Durham Region	Outside Durham Region
Google Business Profile / Directory Listing Registration	50.00	200.00
Events & Workshops 30 - 90 minutes 90 - 3 hours Half Day Full Day	25.00 45.00 60.00 75.00	
Advertise on Newsletter / Event Update Advertising on BACD's newsletter – 9,000 subscribers.	50.00	N/A
Sponsorship opportunities DIID Partner Level DIID Community Partner DIID Premier Level Event - Named	750.00 1500.00 2000.00 3500.00	

Appendix B – Proforma Budget

	2023 Budget	2024 Budget Business as Usual	2024 Budget Transition Year	2025 Budget Business as Usual*	2025 Budget BACD Integration*
EXPENSES					
Personnel (salary, salary burdens, contract services, WSIB, etc.)	360,017	357,600	439,684	368,328	460,512
Governance and Directors Insurance	2,900	2,900	-	2,987	-
Marketing, Promotion, Travel	18,988	18,250	18,000	18,540	18,540
Event and Program Delivery	9,100	9,250	9,000	9,270	9,270
Overhead, Office, Hardware, Software, General	25,676	20,700	10,890	21,321	11,216
Prof. Services, Legal, Accounting, Audit	10,217	11,000	2,000	11,330	2,060
Lease and Facility Costs	81,022	81,022	54,014	83,452	-
TOTAL EXPENSES	507,920	500,722	533,588	515,228	501,598
INCOME/SOURCE OF FUNDS					
Province of Ontario Funding	191,647	191,647	191,647	191,647	191,647
Other Income (Registration and Program Fees, Sponsorships)	35,000	34,000	26,000	35,020	26,780
Subtotal – Non- Regional Funding	226,647	225,647	217,647	226,667	218,427
Region of Durham – Core Funding	163,200	163,200	190,208	163,200	283,171
Region of Durham – Facility Funding	81,022	81,022	54,014	83,452	-
Subtotal – Region of Durham Funding	244,222	244,222	244,222	246,652	283,171
TOTAL INCOME	470,869	469,869	461,869	473,319	501,598
NET INCOME-Surplus/(Deficit)	(37,051)	(30,853)	(71,719)	(41,909)	-
Contribution from BACD reserves	37,051	30,853	71,719	41,909	

*2025 budget amounts assume inflationary increases, however some amounts, including the lease, may require negotiation.