

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

Item 5, Report No. 4, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on April 19, 2017.

5 VAUGHAN BUSINESS ENTERPRISE CENTRE – 2017-2019 PROVINCE OF ONTARIO ENTREPRENEURSHIP PROGRAMMING FUNDING AGREEMENTS

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Corporate Initiatives and Intergovernmental Relations, dated April 3, 2017:

Recommendation

The Chief Corporate Initiatives and Intergovernmental Relations, in consultation with the Senior Manager, Economic Development, the Senior Manager, Corporate Financial Planning and Analysis, and the Acting Manager, Vaughan Business Enterprise Centre, recommends:

1. THAT Council endorse the Vaughan Business Enterprise Centre's (VBEC) applications and funding agreements for relevant grants to fund entrepreneurship and business development programming;
2. THAT upon notification of grant award(s), the City Clerk be authorized to execute any necessary agreements in form satisfactory to the City Solicitor, and;
3. THAT the Manager, Vaughan Business Enterprise Centre or designate be authorized to execute agreements with program participants when the program participant is receiving a grant with a value of \$10,000 or lower.

Purpose

The purpose of this report is to update Council on three Provincial programs that, with Council approval, VBEC will deliver with provincial funding.

Contribution to Sustainability

Green Directions Vaughan embraces a Sustainability First principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities, and economic vitality for current and future generations. Implementation of VBEC's programs relates directly to the Green Directions Vaughan Master Plan: to create a vibrant community where citizens, businesses and visitors thrive.

Economic Impact

Through meetings with the Province of Ontario's Ministry of Economic Development and Growth (MEDG) / Ministry of Research, Innovation, and Science (MRIS), VBEC anticipates receiving provincial funding of approximately \$900,000 to undertake three programs over the course of the next twenty-four months:

1. VBEC Core Programming for which the Province will allocate over \$200,000 to VBEC to the end of March 2019.
2. Summer Company, for which the Province of Ontario has allocated \$126,500 to support 23-27 young entrepreneurs in 2017. Of this amount, \$81,000 will be disbursed in grant dollars to Vaughan's young entrepreneurs. Individual's will receive grants of up to \$3,000;

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

Item 5, Finance Report No. 4 – Page 2

3. Starter Company Plus, for which the Province has allocated \$550,000 to support 71 local entrepreneurs to the end of March 2019. Of this amount, \$355,000 will be disbursed to local business people. Individuals will receive grants of up to \$5,000;

Agreements will require renewal on an ongoing basis.

Through the Economic Development and Culture Services Department, the City of Vaughan contributes the salary of the Manager, Vaughan Business Enterprise Centre, and the Small Business Consultant as its contribution to the partnership with the Province of Ontario.

There are no economic impacts associated with this report.

Communications Plan

VBEC continues to communicate with Vaughan's citizens and businesses through its existing marketing channels:

- Its website (www.vaughan.ca/VBEC);
- Print and social media;
- Its community collaborators;
- Through community engagement and seminar delivery across various venues in York Region.

Key Messages:

1. The Vaughan Business Enterprise Centre is York Region's most active Provincial Small Business Enterprise Centre, placing it amongst the best-funded SBECs in Ontario, delivering some of the province's largest entrepreneurship programs.
2. The Province of Ontario relies on its Small Business Enterprise Centres (SBEC) to manage more program administration than they have in the past. For example, SBECs must now disburse grants directly to program participants.

VBEC Highlights

- Through Core programming, more than 300 businesses started and 100 businesses expanded in 2016 with VBEC's support. This led to the creation of more than 900 direct jobs.
- VBEC responded to approximately 5000 general inquiries in 2016.
- 30 students were supported through the 2016 Summer Company program. Students generated an average of more than \$7,000 gross revenue over the summer, hiring an additional 19 people beyond the 30 directly engaged in the program.
- In 2016, 61 local entrepreneurs received Starter Company grants. The program expanded 12 businesses, started 71 businesses and created 58 jobs.

Background and Analysis

Executive Summary

VBEC has been in operation since 2001. Its core mandate is to empower local entrepreneurs and small businesses to start or expand their business through consultation, education, and facilitated access to the local, regional and Provincial support network. In addition, VBEC supports the City of Vaughan's Economic Development Strategy by enabling entrepreneurial activities in the City.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

Item 5, Finance Report No. 4 – Page 3

The Province has indicated that VBEC will receive up to \$892,500 in provincial funding. These funds will be administered between April 2017 and March 2019 across a variety of VBEC's entrepreneurship programs, which the Centre administers on behalf of MEDG/MRIS. However, as part of this funding, the City of Vaughan must take on additional program responsibilities.

In addition, the Economic Development and Culture Services Department (which VBEC is part of) recognizes the financial constraints that municipalities are subject to. As such, staff makes concerted efforts to secure additional resources. Working with the City's Finance Department and the Manager of Municipal Partnerships, VBEC is consistently working to supplement Municipal and Provincial funding with private sector contributions to deliver its programs.

Discussion / Context – Vaughan Business Enterprise Centre Entrepreneurship Programming

VBEC benefits from the support of the Province of Ontario through entrepreneurship programs deployed through MEDG/MRIS.

Core

First, MEDG/MRIS supports VBEC's core operations – business consultations, enquires from the public, business registration, and seminars and other entrepreneurship events. VBEC's expiring core agreement carried a three-year term, from April 2014 to March 2017. MEDG/MRIS will deliver a two-year core agreement to fund VBEC from April 2017 to March 2019, aligning with the provincial fiscal reporting period. Core services result in businesses started, businesses expanded, and jobs supported.

The Province will allocate more than \$200,000 towards core programming to the end of March 2019. The City's annual contribution to the partnership for core programming is coverage of the labour costs for two staff.

Summer Company

Since VBEC's founding it has administered MEDG/MRIS's Summer Company program, designed to support students aged 15-29 as they start a business over the summer. In recent years, VBEC has supported 20-30 students per year. This represents a significant annual investment from the Province of Ontario into the City of Vaughan. To consider this in context, the average Summer Company program allotment in Ontario in 2017 was between 13 and 14 participants, whereas VBEC has received funding to support 23 to 27 participants in the same year.

In 2016, the Summer Company program created 49 summer jobs for participants and their employees. Furthermore, 23 of the 30 2016 participants were still running their business (part-time, after returning to school in September 2016) as of December 2016.

For 2017, VBEC has secured \$126,500 in grant and program dollars from the Province of Ontario to support 23-27 students. Of this amount, \$81,000 will be disbursed in grant dollars to Vaughan's young entrepreneurs. Grants will not exceed \$3,000 per participant.

Starter Company Plus

Given Summer Company's success, MEDG/MRIS launched a new program in 2014 called Starter Company. This program mirrored Summer Company but focused on entrepreneurs aged 18-29 who were not returning to school.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

Item 5, Finance Report No. 4 – Page 4

Like Summer Company, Starter Company entrepreneurs were successful contributors to the local economy, starting or expanding more than 80 businesses and creating more than 50 jobs between in 2016. 61 local entrepreneurs received grants from the Province in 2016, representing an injection of \$305,000 into the local economy.

For 2017, the Province has made the decision to modify Starter Company and replace it with Starter Company Plus, which will train, mentor, and grant entrepreneurs of any age as they start or expand a full time business. The administration of this new program has transferred from the Province's Regional Grant Administrators (RGA) to VBEC, representing a \$550,000 investment into VBEC to administer, grant and support 71 entrepreneurs from 2017-2019. Of this amount, \$355,000 will be disbursed to local business people. Grants will not exceed \$5,000 per participant.

Other Opportunities

In addition, VBEC has the opportunity, from time-to-time, to apply to and receive grants from the Province of Ontario for additional programs. These are sporadic throughout the year and generally, based on past-experience, require VBEC to submit its application and receive funding in less than 30 days.

Discussion / Context – New Administrative Requirements

All of the Provincial SBEC's including VBEC will be required to enter into agreements with program participants to mitigate any risk to the City of Vaughan while disbursing grant dollars.

In these cases, the Director or Manager of the SBEC signs such agreements on behalf of their municipality. This is commonplace and low risk, given that agreements do not exceed \$10,000 in value. VBEC has worked with Legal Counsel to draft a participant agreement to govern the granting relationship between VBEC and the entrepreneurs receiving funding. This agreement is based on those being used in eight of 57 SBECs (as Regional Grant Administrators) since 2014.

Ensuring a Fair and Transparent Process

Disbursement of all grant funds go through a Province of Ontario approved adjudication process. For Starter Company Plus, the MEDG/MRIS approved business plan (in attached Agreement) outlines how VBEC will leverage third party oversight from its regional colleagues in other SBECs to ensure that VBEC has performed its due diligence and avoided any conflicts of interest in recommending entrepreneurs for grant disbursement. For Summer Company, the Province of Ontario provides an adjudication template and maintains oversight on grant disbursement recommendations.

VBEC needs to ensure that the processes and safeguards are in place to ensure that its programs are effective and transparent in consultation with recommendations of the City Auditor.

As such, VBEC has engaged a variety of internal department partners to support its programming. VBEC has initiated the following in order to effectively and responsibly deliver its programs in the future:

- Processes with procurement to engage vendors to support training, marketing, and program delivery.
- A recruitment process with Human Resources in order to engage a program coordinator on a contract basis for the Summer Company and Starter Company Plus programs.
- Consultation with Legal Counsel to review agreements and to develop a participant agreement governing the relationship between the City and local entrepreneurs receiving funding through Starter Company Plus.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

Item 5, Finance Report No. 4 – Page 5

- Consultation with Financial Services and Financial Planning and Development to develop sound grant disbursement processes, including the distribution of T4As to participants.
- Discussions with the Office of the Chief Information Officer to explore digital solutions for program management.

Next Steps

Should Council approve this report, staff will proceed to finalize and execute agreements, including marketing and program delivery, based on the business plans developed by staff and approved by MEDG/MRIS.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This report is consistent with the priorities set on the Term of Council Service Excellence Strategy Map: Attract Investment and Create Jobs.

The recommendations in this report will support the ongoing delivery of service excellence, matching the Term of Council Service Excellence Strategy Map: Citizen Experience and Service Delivery.

Regional Implications

VBEC maintains the largest small business programs in York Region. As such, it works closely with the other SBECs in the Region – Markham, Richmond Hill, and York Region, who serve the northern six municipalities. In the past, VBEC has supported their programs by taking on overflow applicants, by offering training to regional entrepreneurs, and by assisting with applicant adjudication. VBEC and its regional counterparts expect to continue in this manner. It should be noted that these actions do not have a negative impact on VBEC as they help VBEC to meet its MEDG/MRIS requirements, attract business to the City of Vaughan, and, since these actions leverage existing programming, require no additional cost.

In addition, VBEC has begun to engage regional organizations like ventureLAB and the York Entrepreneurship Development Institute (YEDI) to support programming. This affords VBEC the opportunity to attract entrepreneurs from across York Region, into the City of Vaughan.

Conclusion

VBEC has developed into one of the leaders amongst the Province's 57 Small Business Enterprise Centres and a strong contributor to local economic development. In 2016, VBEC delivered more than 700 consultations to local entrepreneurs, and delivered 48 seminars to more than 1300 participants. Those businesses and entrepreneurs working with VBEC created more than 900 jobs and started or expanded more than 450 businesses.

VBEC plays an important role in Vaughan's economy. Its core client – entrepreneurs and small business with fewer than 20 employees – made up more than 80 per cent of Vaughan's 11,370 businesses in 2016. These businesses benefit from the services and ecosystem access that VBEC offers. VBEC looks forward to continuing to work with local and provincial partners like the Vaughan Chamber of Commerce, ventureLAB, COSTI Employment Services, and its partners through the Province of Ontario's Ontario Network of Entrepreneurs (ONE).

In order to maintain status as a leading SBEC, VBEC will implement Provincial programming with Council's approval, including the development of partnerships across the region and agreements with program participants, to serve local entrepreneurs and small businesses. This will ensure that VBEC continues to deliver its services in an effective and uninterrupted manner.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

Item 5, Finance Report No. 4 – Page 6

Attachments

1. Starter Company Plus Agreement

Report prepared by:

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)