



TO: GENERAL COMMITTEE

SUBJECT: LETTER OF AGREEMENT: CITY OF BARRIE AND PROVINCE OF ONTARIO
RE: SMALL BUSINESS CENTRE SERVICES AND MUNICIPAL FUNDING
CONTRIBUTION

WARD: N/A

PREPARED BY AND KEY CONTACT: D. HYDE, MANAGER OF SMALL BUSINESS CENTRE, EXT. 5236

SUBMITTED BY: S. SCHLICHTER, DIRECTOR OF BUSINESS DEVELOPMENT

GENERAL MANAGER APPROVAL: Z. LIFSHIZ, EXECUTIVE DIRECTOR OF INVEST BARRIE

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That The Corporation of the City of Barrie enter into a Transfer Payment Agreement with Her Majesty the Queen in Right of Ontario as represented by the Minister of Economic Development, Job Creation, and Trade for the provision of grant funds to deliver the core Small Business Centre program, Starter Company Program, and Summer Company Program through the Small Business Centre of Barrie, Simcoe County and the City of Orillia for the three-year period ending March 31st, 2022.
2. That the City Clerk be authorized to execute all documents necessary to give effect to such agreement.
3. That the City Clerk be authorized to execute an extension agreement should the Provincial Small Business Program be extended beyond March 31st, 2022 and provided the agreement is under the same general conditions and to the satisfaction of the Director of Business Development and Director of Legal Services.
4. That funds in the amount of \$38,000 be allocated from the Tax Rate Stabilization Reserve to the Small Business Centre to support the fiscal requirements to deliver the services and programming of the Small Business Centre under the Provincial contract for the 2019 year, and reflect the following:
 - a) Operational costs beyond the funding provided from the Province (\$14,000); and
 - b) Reduction in program administration funding for Summer Company and Starter Company (\$24,000).
5. That the City's contributions to the Small Business Centre in fiscal years 2020/2021 and 2021/2022 (approximately \$75,000 per fiscal annum) be included for consideration in the City's annual business plan in years 2020 through 2022.

PURPOSE & BACKGROUND

Report Overview

6. The purpose of this Staff Report is to obtain authority to enter into an Agreement with the Province of Ontario to secure funding to continue services of the Small Business Centre and specific program delivery of Summer Company and Starter Company, and to allocate funds from the Tax Rate Stabilization Reserve to support the fiscal requirements to deliver the services and programming of the Small Business Centre under the Provincial contract for 2019 year.
7. Council has provided authority for the Clerk to execute extensions of agreements with the Province for the Small Business Centre and its programs in previous Motions over the history of the Centre. However, given that the new agreement is not an extension of previous agreements and the fiscal requirements of the municipality to support the Centre are greater than previous years, Staff are seeking Council's support and direction.

Background

8. In December 2001, Council Motion 01-G-526 approved the establishment of a Business Enterprise Centre in the City of Barrie and entered into a Letter of Agreement setting out the obligations of both the Ministry of Economic Development & Trade (now MEDJCT - Ministry of Economic Development, Job Creation, and Trade) and the City of Barrie for the delivery of services for an Enterprise Centre.
9. The Small Business Centre has been operating since 2002 and receives annual funding from the Province for its core business service delivery that includes business consultation, information and resources for small business at the pre-launch, launch and growth stages. In addition, the Centre also receives program specific funding including Summer Company and Starter Company.
10. The annual funding predominantly supports the salaries of staff required to deliver client support services, in addition to some operational/program support. The City of Barrie, as partner with the Province, provides space, technology equipment for staff (computer workstation, cell phone) to the Centre as part of their contribution to the program.
11. In 2014, the Small Business Centre became integrated with Invest Barrie as a Municipal strategic portfolio, to deliver upon the economic development vision crafted through the "Ideas in Motion" action plan, with the goal of aligning business support services for Barrie. Through Ideas in Motion, the continued growth and stability of the small and medium-sized enterprises was identified as a key driver of current and future economic growth in the City.
12. The Small Business Centre plays a leadership role in the local entrepreneurial ecosystem and is one of 57 Small Business Enterprise Centres across Ontario. The Centre is an entrepreneurial resource for information, consultation and education serving the Cities of Barrie and Orillia and the County of Simcoe, with the exception of the Towns of Collingwood and Wasaga Beach, and Clearview Township. From business launch to expansion, a consultant is available to meet with clients on a no fee basis to provide professional business advice, referrals to professionals within the community, assistance with business plans, mentoring and networking opportunities, as well as facilitate seminars, and workshops for new and existing entrepreneurs. Staff of the Small Business Centre also administer the Summer Company and Starter Company Plus programs.

13. The current staffing compliment of the Small Business Centre is one full-time permanent Manager of the Centre, one permanent full-time Programs Coordinator, and one part-time, temporary Office Services Assistant. Both permanent full-time compliment positions were approved by Council Motion 17-G-310 in order to satisfy CUPE requirements, and ensure stability and quality of staffing.
14. In December, 2017, when Council approved the conversion of two Small Business Centre staff to full-time complement. A differential between the Provincial contribution and the operational costs was identified that ranged from \$20,000 to \$55,000 per annum through the duration of the Provincial contract through March 31st, 2019. Through total budget management, Business Development has been able to minimize the differential to approximately \$15,000 to \$25,000 per annum, and has accommodated through its existing budget.
15. The Summer Company program is aimed at youth entrepreneurs aged 15 – 29 years old and who are returning to full-time or part-time education in the fall. The program provides business training, mentorship and grant funding of \$3000 (provided by MEDJCT), enabling the program participants to start and run a business throughout their summer break. The program draws attention to local products and services whilst at the same time providing skills and training of benefit to the participants regardless of their eventual career path. The Small Business Centre has historically approves 10-14 applicants per year into the program.
16. The Starter Company Plus program is aimed at entrepreneurs who are starting, growing or buying a business. This program also provides business training and mentorship, but in this instance the potential grant amount rises to \$5000 (also provided by MEDJCT).
17. The Small Business Centre also plays a key role in delivering certain sector-specific programming in partnership with the Creative Economy Department of Invest Barrie, Georgian College and other ecosystem partners. Examples of this would be Artrepreneur, a fourteen week accelerator program aimed at helping creative individuals to commercialize their arts practice or products, and SPROUT, a ten week program that provides business and industry education to entrepreneurs attempting to launch a packaged food product into the market.
18. As part of the contract deliverables with the Province, the Small Business Centre reports on several key performance indicators. Much of these indicators are measured as a result of follow-up engagement with clients at three, six and twelve-month intervals. Below is a summary of key metrics for the 2018/2019 fiscal year.

**Small Business Centre Economic Impact Fiscal Year 2018/19,
Across Core Service Delivery, Starter Company Plus and Summer Company**

<i>Number of Businesses Started</i>	125
<i>Number of Businesses Expanded</i>	106
<i>Number of Jobs Created</i>	338
Total Inquiries	905
Website Unique Visitors	6666

New Start-Up Consultations	274
New Existing Consultations	110
Repeat Consultations	106
Total New/Repeat Consultations	490
Seminars	31
Seminar Attendance	329

ANALYSIS

19. At the beginning of April 2019, the Small Business Centre relocated to the Sandbox Centre for Shared Entrepreneurship & Innovation and is a key service delivery agent at the Centre. Small Business Centre staff deliver all of their programs and services from the Sandbox, and serve as a main point of contact with those entering the Centre who are looking or who have started a small business in the City of Barrie. The Small Business Centre also supports the Sandbox with front office support, greeting walk-in clients and guests of the Centre and directing them accordingly.

2019 – 2022 MEDJCT Contribution:

20. The Small Business Centre has not yet received the complete agreement for service from the Province, however the Centre received notification from MEDJCT in March, 2019 that the Agreement for Small Business Centre service delivery would be extended for a period of three years, ending at March 31st 2022. This notification included confirmation of funding limits amounting to:
- a) \$105,935 per fiscal year for the Centre's core operations. This amount is consistent and the same dollar amount as provided for the previous past five years of program delivery.
 - b) \$20,000 per fiscal year for delivery of the Starter Company Plus program (excluding grant funding for program participants). This represents a 50% reduction in program delivery funding over previous years.
 - c) \$17,000 per fiscal year for the delivery of the Summer Company program (excluding grant funding for program participants). This represents a \$4,500 reduction in funding from the 2018 program.
21. The core operational funding from the Province is consistent across it's Centre's, and does not provide for operational increases in annual salary and benefit costs, and general increases in operating expenses and increases in service demand.

Increased Service Demand for Summer Company and Starter Company Program:

22. For the Summer Company Program, the Small Business Centre is now the sole program provider in Simcoe County (with the exception of the three municipalities serviced by the Small Business Centre in Collingwood). In previous years, delivery of the program was split between three other program providers in the area (including YMCA) and 30-50 students participated in the program. As the sole program provider, all applications are now being vetted through the Small Business Centre for eight (8) program spaces.

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23. The Centre typically receives approximately 20 applications that require screening, business plan review and development and interviews to determine selection into the Summer Company Program. At the time of writing this report, there are 55 applicants to administer, with more than two weeks remaining until the application deadline.
 24. The Starter Company Plus program has been a tremendous success for the Small Business Centre. Through the Starter Company program between 2016 and 2018, 43 businesses have started or grown, and 76 jobs created. The program issued \$142,500 in grant funding to participants, and participants themselves collectively leveraged over \$195,000 of other funding to invest in their businesses.
 25. Currently, the program has a waiting list of 36 prospective and current small business owners who wish to participate in the training, mentorship and opportunity to apply for a grant of up to \$5,000 for their businesses.

Increased Service Demand & Opportunity at the Sandbox:

26. Over the six (6) weeks, since the opening of the Sandbox Centre for Shared Entrepreneurship, more than 1,000 people have been into the Sandbox. This has led to a marked increase in inquiries and foot traffic to the Small Business Centre. While it does place extra pressure on existing resources, this presents an excellent opportunity for the Small Business Centre to increase its benefit to the local business community and in turn increase its economic impact.
27. With the Small Business Centre now being more centrally located downtown, and with its involvement in the Dunlop Street Streetscaping Project to support local business with mitigating impacts of construction, there is a further increase in resource demand to deliver additional programming and support services being delivered by the Centre.
28. Further, the Centre plays a pivotal, leadership role in the planning and delivery of the annual Xcelerate Summit, a regional business conference that takes place over a two-day period in October. The 2018 Summit was a complete success, with sell out attendance of 200 delegates and a waitlist for the first time in its five year history. In partnership with Georgian College Henry Bernick Centre for Entrepreneurship and in collaboration with Creative Economy, BDC, BNI and other key service providers, it is expected that this event will continue to grow and evolve to a signature business event in the City and broader Region in a South by Southwest vibe.
29. The Small Business Centre's operations rely overwhelmingly on a human resources component. Clients require unique and personalized consultancy to address their particular needs and situations, requiring in-person service. The Centre does continue to seek opportunities to automate and innovate how it delivers its services in an effort to meet increasing service demands and leveraging new program opportunities that provide benefit to their clients and the City.
30. Staff have reached out to municipalities similar to Barrie, that have entrepreneurship and small business development as a key focus within their strategies and who also have Small Business Centres. To date, we have data returned from the City of Hamilton, who currently employ a staff of six. Of those, five of are full-time complement, and the sixth is a temporary full-time contract position tied to Provincial funding. Similar to Barrie, the Small Business Centre is part of their Economic Development Department. Their current funding model is estimated at approximately 60% City of Hamilton and 40% contribution from the Province.

FINANCIAL ANALYSIS

31. The total annual service delivery funding across all three areas (Core Operations, Summer Company and Starter Company) will be \$135,935 for fiscal year 2019/2020, with an allotted total of \$100,201.25 for the period of April 1st – December 31st, 2019. Staff has budgeted accordingly to complete fiscal year 2018/19 and will require additional funds for the period April 1st – December 31st 2019 under the 2019/2020 fiscal year in the amount of \$38,000.00.
32. The combination of increased salary costs, reductions in Provincial funding and the need to maintain existing staff compliment to meet service demands, requires additional contribution from the Tax Rate Stabilization Reserve in the amount of \$45,000 for 2019.
33. Annual operating estimates for the remainder of the agreement (up until March 31st 2022) are estimated to be \$70,000 for 2020 and \$80,000 for 2021. This amount is in addition to the current budget allocation of \$25,000, from the Business Development Department to the Small Business Centre (through total budget management), which has been in place since 2017 to offset some of the cost of conversion of two Small Business Centre staff to full-time complement. These budget requirements will be requested as part of the City's annual business planning and budgeting process

ALTERNATIVES

34. There are two alternatives available for consideration by General Committee:

Alternative #1

General Committee could choose not to enter into an Agreement with the Province of Ontario for the provision of the Small Business Centre service. This is not recommended as the provision of small business support service is an integral component to a community entrepreneurial eco-system.

Entering into the Agreement with the Province of Ontario supports the execution of the Ideas in Motion strategy as approved by City Council.

The partnership between the City and Province for the Small Business Centre has been operating for 17 years and continues to deliver programming and economic benefit to the community through fostering new business start-up and support of growing businesses.

Alternative #2

General Committee could choose to only support the core operations of the Centre and not the Summer Company and Starter Company programs.

This would result in the elimination of the Programs Coordinator position. This is not recommended as the programs are viewed by the Province as an integral part of the Small Business Centre's services and bundled into the service Agreement. As such, as such there would be a risk that the Province would decline to support the Centre entirely, eliminating this service in the City.

Further, the Summer Company and Starter Company programs provide significant service and drive economic impact to the City.

LINKAGE TO 2018 - 2022 STRATEGIC PLAN

35. Continuing the partnership with the Province of Ontario to deliver small business support services, contributes to the goal of establishing Barrie as a centre for excellence in innovation and entrepreneurship by supporting and encouraging residents to start, grow or purchase an existing business. Continuing with the Transfer Agreement with the Province of Ontario and providing additional operating funds, will allow the Small Business Enterprise Centre to obtain the funds necessary to deliver the program.
36. The recommendations included in this Staff Report support the following goals identified in the 2018-2022 Strategic Plan:
- Make it easier to do business
 - Help businesses grow