

Item:



Committee of the Whole Report

DATE: Tuesday, April 02, 2019

WARD(S): ALL

**TITLE: SMALL BUSINESS AND ENTREPRENEURSHIP SERVICES:
UPDATE**

FROM:

Tim Simmonds, Interim City Manager

ACTION: DECISION

Purpose

Small Business is an important driver of Vaughan's economy. The City of Vaughan, through the Economic and Cultural Development Department (ECD) and its Small Business and Entrepreneurship (SBE) division, has a strong track record of support for this segment of our economy. To build on success and enable staff to support the growth of these business, ECD is seeking Council approval to apply for relevant programs and partnerships, and to enter into agreements in support of the development of small business and entrepreneurship in Vaughan during the 2019-23 time-frame.

Report Highlights

- Small business and entrepreneurship are drivers of Vaughan's economy, which, due to its talent and density, is a leading hub in Ontario.
- Small Business and Entrepreneurship in Economic and Cultural Development delivers leading services in the Greater Toronto Area and York Region.
- The Province of Ontario's Transfer Payment Agreements for Small Business Enterprise Centre programs end on March 31, 2019. Staff require Council authority to enter into a new agreement on April 1, 2019. Staff have not been given details by the Province regarding the new agreement.
- To grow services beyond Provincially funded activities, staff require authority to execute agreements with partner organizations.

Recommendations

1. THAT, as required during the 2019-2022 Term of Council, the City Clerk and the Chief Financial Officer be authorized to execute any Transfer Payment Agreements between the City of Vaughan Economic and Cultural Development Department (including the Vaughan Business Enterprise Centre) and the Federal Government, Province of Ontario, and the Regional Municipality of York related to funding for small business and entrepreneurship programs, services and projects, subject to the form of such agreements being satisfactory to the City Solicitor (or designate), and content of such agreements being satisfactory to the Chief of Corporate Initiatives and Intergovernmental Relations (or designate); and
2. THAT the Manager, Small Business and Entrepreneurship Services and City Clerk be authorized to execute agreements, as required during the 2019-2023 time-frame related to awarding grants and/or sponsorship funding to eligible individuals and organizations through programs funded by the Federal Government, Province of Ontario, Regional Municipality of York, or non-governmental organizations (NGOs), and administered by the City of Vaughan; and
3. THAT, agreements shall be in a form satisfactory to the City Solicitor (or designate), and the content shall be satisfactory to the Chief Corporate Initiatives and Intergovernmental Relations (or designate).

Background

In May 2019, the Economic and Cultural Development Department shall be presenting a 2018 Year-in-Review Report to the Committee of the Whole that highlights Vaughan's economic performance in 2018, as well as activities, services and achievements of the entire Department, including Small Business and Entrepreneurship.

Small Business and Entrepreneurship are important drivers of Vaughan's economy.

In 2018, the number of businesses employing fewer than 10 people continues to count for roughly two-thirds of Vaughan's over 12,000 business. Furthermore, Vaughan's workforce is primed to foster innovation and entrepreneurship. The percentage of workers in Vaughan with a science, technology, engineering or mathematics (STEM) background is higher than the national average: based on data from the 2016 Census, Vaughan's STEM workforce is 1.32 times more concentrated than the nation. Indeed, almost 9% of Vaughan's workforce are employed in natural and applied sciences and related occupations. Vaughan also outperforms the country in with 1.25 times the

number of self-employed workers as compared to Canada (15% of Vaughan's workforce).

Given the importance of small business, and the economic potential in entrepreneurship to generate prosperity and deploy social capital, the City of Vaughan has identified Economic Prosperity and Social Capital as a priority for the 2019-22 Term of Council. The networks and talent that make up Vaughan's social capital are integral to supporting entrepreneurs. They are also composed of existing entrepreneurial networks.

With the support of Council, Economic and Cultural Development will provide service excellence to local entrepreneurs and small business owners in the 2019-22 Term of Council through a two-pronged strategic approach: service delivery; and strategic partnerships.

1. Service Delivery

Economic and Cultural Development seeks Council support to enter into Transfer Payment Agreements with the Province and apply for relevant grants to support program delivery. At present, the Province of Ontario has not indicated how or if it will renew Small Business Enterprise Centre (SBEC) programming.

A key service delivery vehicle for the small businesses and entrepreneurs in the City of Vaughan has been the Province of Ontario's SBEC programming, operated by ECD as the Vaughan Business Enterprise Centre (VBEC) since 2001.

The Vaughan Business Enterprise Centre (VBEC) delivers the largest programs in York Region and is amongst the Province's highest volume SBECs. This is a testament to the entrepreneurial spirit of Vaughan's residents and the City's vibrant and growing economy. Of Vaughan's almost 12,000 businesses, more than 80 per cent are small businesses.

VBEC helps entrepreneurs and small business owners start or grow their business through:

- Free **one-on-one business advisory** services for entrepreneurs, answering key questions about business and identifying next steps, resources, and opportunities;
- Focused **seminar and workshop series** for entrepreneurs to connect with their peers and to stay up-to-date with best practices; and,

- High quality **Entrepreneurship Programs** like Starter Company Plus and Summer Company that deliver training, mentorship, and the opportunity for participants to apply for a Provincial grant.

These services have, from 2016 to 2018, **helped 949 business start or expand**.

To deliver these services, the City of Vaughan has been supported by the Province of Ontario since 2001 through transfer payment agreements (TPA) with the Ministry of Economic Development, Job Creation and Trade (MEDJCT) and its predecessors. TPAs require contribution of staff and facilities from the City of Vaughan. All current agreements end on March 31, 2019. It is expected that MEDJCT will renew some, but not all funding. However, no indication has been provided by Provincial staff as to how or if the funding will continue.

Since 2016, VBEC has seen an overall increase in demand on its services. Throughout this period, however, both MEDJCT and staff resources have not increased.

One-on-one business advisory services

The City of Vaughan's business advisory services, delivered through VBEC, support local entrepreneurs and small business owners through both one on-one consulting, and the provision of education and best practices through seminars and networking opportunities.

The demand on services has increased dramatically since 2016.¹ For example:

- One-on-one consultations delivered has grown from 769 in 2016 to 1041 in 2018.
- Seminars delivered has grown from 48 to 59 between 2016 and 2018.
- Vaughan Business Expo registrations have grown from 320 in 2016 to 384 in 2018
- Staff continue to resolve over 4,000 inquiries annually.

MEDJCT funding supporting these activities has remained stable at \$108,025 per year and staff resources have not increased.

Starter Company Plus

In addition to core business advisory services, MEDJCT contracted the City of Vaughan to deliver a new program, Starter Company Plus, from January 2017 to March 2019.

¹ See: Province of Ontario, *Enterprise Centre Reporting*, 2016-18. Detailed metrics can be provided by ECD. Please contact ecd@vaughan.ca for copies.

From January 2017 to December 2018, Starter Company Plus, trained, mentored, and helped entrepreneurs receive a Provincial grant as they started or expanded a full-time business. Starter Company Plus has been a \$550,000 investment into the City of Vaughan to grant 71 entrepreneurs and support 120 residents. Of this amount, \$400,000 has been disbursed to local business people, totaling eighty \$5,000 grants. 440 businesses have been supported through this program.

Starter Company Plus has **helped 114 business start or expand.**

Summer Company

Since VBEC's founding it has administered MEDJCT'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 17-30 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 received funding to support 23 to 27 participants.

In 2018, the Summer Company program created 30 summer jobs for participants and their employees. Furthermore 16 of the 17 participants in 2018 were still running their business (part-time, after returning to school in September 2018) as of December 2018.

MEDJCT has opened applications for the 2019 program but has not yet allocated funding to program delivery agents like the City of Vaughan.

2. Strategic Partnerships

To deliver the robust program they do, staff in the SBE branch of ECD are leaders in York Region and the Greater Toronto Area (GTA) in building partnerships. However, there are times when partnerships are lost due to the inability of staff to enter into agreements or memorandum of understanding (MOU) to formalize and govern partnerships.

Partnerships are an integral element of any economic development program. The Federation of Canadian Municipalities (FCM), for example, in its 2014 whitepaper *Building Community Prosperity Through Local Economic Development* lists partnering and partnerships as a guiding principle of local economic development. As the whitepaper explains, the opportunities in local economic development are often too

great for one organization to seize on its own. As such, there is a need to multiply resources to effectively support the local economy.²

Staff in SBE seek partnerships with: governmental partners; non-governmental, not-for-profit private partners; and occasionally, private sector, for-profit partners.

First, through the Ontario Network of Entrepreneurs (ONE), the City of Vaughan is partnered with the Province's Regional Innovation Centres (RIC) – ventureLAB is York Region's RIC – as well as other SBECs, Campus Linked Accelerators (CLA) on Ontario's post-secondary campuses, and the Ontario Centres of Excellence (OCE). Such partnerships allow for co-marketed initiatives, sharing of best-practices, and co-delivered initiatives. One such example is the recent [ventureLAB-Vaughan pilot program](#) to support accelerating technology companies in Vaughan.

More difficult to solidify, are the partnerships with non-governmental organizations. Examples of these include the City of Vaughan's emerging partnership with [Multiplicity Labs](#), a not-for-profit accelerator connecting tech entrepreneurs with corporate partners. Multiplicity's premier program is [InfinitiLAB](#): a program helping Nissan-Renault to incubate entrepreneurs in automotive technology. To open access for Vaughan businesses to such programs that connect entrepreneurs with Multi-National Enterprises (MNE), staff in SBE hosted a corporate innovation session on February 28, 2019. The invite-only event featured a speaker from Multiplicity, IBM Canada, and local entrepreneur, and alumni of both VBEC and InfinitiLAB, Shiva Bhardwaj, to lead a discussion with Vaughan's leading corporate innovators. However, without the ability to enter into an MOU with Multiplicity that lays out roles and responsibilities for a long-term effort to launch programming in Vaughan, the partnership remains ad hoc.

Furthermore, there are times when staff in ECD need to partner with for-profit enterprises. If, for example, a Multiplicity program were to be duplicated in Vaughan, and ECD were to take part, such an agreement would be required. However, there are tactical, day-to-day examples of the need for staff in SBE to leverage private sector resources. In its business advisory services, SBE is often asked to refer citizens to local for-profit service providers like lawyers, accountants, financiers, etc. At present, staff share local providers with clients through the [Vaughan Business Cafe](#). These local providers are not required to, in return, promote our services or even to share with us the volume of clients who make their way to them through ECD. MOUs would allow

² George Edward Treller, [Building Community Prosperity Through Local Economic Development: An Introduction to LED Practices and Principles](#). (Kyiv, UK: Federation of Canadian Municipalities, 2014), p.9.

ECD to put a governing arrangement in place with such service providers, to ensure co-marketing and reporting back to the City of Vaughan.

Other notable partnerships are underway as well. The organizations not being leveraged to their fullest with an MOU or Province of Ontario backed agreement through the ONE, in support of ECD, include: [The Centre for Social Innovation](#) (CSI); [Artscape](#); [The York Region Arts Council Artrepreneur Program](#); [Ryerson University's Zone Learning](#); [York Mastermind](#); [Tech Connex](#); [Startup York Region](#); [Y2 Labs](#); and the [York Region District School Board's Innovation, Creativity, and Entrepreneurship](#) program.

Previous Reports/Authority

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: [VAUGHAN BUSINESS ENTERPRISE CENTRE – 2017-2019 PROVINCE OF ONTARIO ENTREPRENEURSHIP PROGRAMMING FUNDING AGREEMENTS](#)

[By-Law Number 154-2018](#): A By-Law to Amend By-Law Number 78-2010 with Respect to Executing Grant Applications and Agreements.

Analysis and Options

To continue to leverage small businesses and entrepreneurs in the service of Vaughan's economic prosperity and social capital, ECD requires Council authority to apply for and pursue relevant programs and partnerships, and to enter into agreements with other governmental bodies, like-minded organizations, and local businesses. Staff recommend that Council grant them the ability to enter such Agreements.

ECD has delivered business inquiry resolution and consultation, seminars and events, and entrepreneurship programs through VBEC since 2001. On March 31, 2019, the most recent TPA (2014-19) from the Province of Ontario will end. Although no details have been offered by the Province, it is expected that a new agreement will be presented to SBEC partners, including the City of Vaughan. As in the past, staff will require authorization to enter into that agreement.

In the Provincial fiscal year April 2018-March 2019, the City of Vaughan has been the beneficiary of over \$200,000 of funding through Provincial TPAs. To not have the ability to receive such resources through bodies like the Province of Ontario, would be to put the City of Vaughan behind the other 46 municipal operators of SBECs.

Provincial TPAs require staff to administer direct grant funding to local small business owners. As in 2017, Staff recommend that Council grant the Manager, Small Business and Entrepreneurship, or designate, the ability to enter into grant agreements with program participants.

ECD manages two grant programs on behalf of the Province of Ontario: Summer Company and Starter Company Plus (both described above). These programs require the City of Vaughan and all 47 SBEC program providers across the province to enter into grant agreements with local business owners.

These agreements mitigate risk to the City of Vaughan while disbursing Provincial 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.

The current participant grant agreement, in use since 2017, was developed with Legal Counsel and governs the granting relationship between ECD and the entrepreneurs receiving funding.

To ensure a fair and transparent process, disbursement of all grant funds go through a Province of Ontario approved adjudication process.

In 2018 alone, ECD managed 78 grants between the Province's two programs. Staff in ECD require the ability to deploy these resources.

Entrepreneurship programs and services would benefit from solid partnerships backed by strong agreements in the form of MOUs. Staff require the ability to quickly enter into such agreements, in form satisfactory to the City Solicitor.

As outlined previously, partnerships are integral to local economic development. There is an opportunity to deepen the benefits of partnerships by backing them with MOUs.

For example, ECD is currently engaged through York Region in [Collision 2019](#), North America's fastest growing conference for technology businesses. To ensure that the City of Vaughan has a presence at the conference, staff are required to enter into an agreement as a co-exhibitor with York Region. Approval of this report will grant staff to enter into the agreement.

If Council grants staff the ability to enter into such arrangements, ECD would have the added benefit of requiring partners to market the City's services and to share successes of joint clients, for example.

Financial Impact

There are no new financial requests associated with this report.

Full financial impact is not known at this time. The Province of Ontario has not indicated potential funding levels beyond March 31, 2019.

However, across three TPAs with the Province, ECD has received approximately \$900,000 to undertake programs since April 1, 2017:

1. VBEC Core Programming for which the Province allocated over \$200,000 to the City of Vaughan to the end of March 2019;
2. Summer Company, for which the Province of Ontario allocated \$126,500 to support 23- 27 young entrepreneurs in 2017, and over \$80,000 in 2018. Of this amount, over \$130,000 was disbursed in grant dollars to Vaughan's young entrepreneurs. Individuals receive grants of up to \$3,000;
3. Starter Company Plus, for which the Province allocated \$550,000 to support 71 local entrepreneurs to the end of March 2019. Of this amount, \$400,000 was disbursed to local business people. Individuals received grants of up to \$5,000.

Through ECD, the City of Vaughan contributes the salary of the Manager, Small Business and Entrepreneurship and the Small Business Advisor, along with the benefits payments of the Information and Administrative Representative and facilities, as its contribution to the partnership with the Province of Ontario.

The Province of Ontario's funding covers the salaries of the Entrepreneurship Coordinator and the Information and Administrative Representative. Even though the City of Vaughan delivers the largest programs in York Region, it lags in staffing. For example, the York Region SBEC delivers half the number of consultations with four permanent full-time staff.

Broader Regional Impacts/Considerations

SBE 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, SBE has supported their programs by taking on overflow applicants, by offering training to regional entrepreneurs, and by assisting with applicant adjudication. SBE and its regional counterparts expect to continue in this manner. It should be noted that these actions do not have a negative impact on SBE as they help the Department to meet its MEDJCT requirements, attract business to the City of Vaughan, and, since these actions leverage existing programming, require no additional cost.

In addition, SBE has built a robust ecosystem of partners as noted above. This affords SBE the opportunity to attract entrepreneurs from across York Region and the Greater Toronto Area into the City of Vaughan.

Conclusion

SBE is one of the leaders amongst the Province's 47 SBECs and is a strong contributor to local economic development. Since 2016, for example, SBE has grown the number of annual number of consultations from 700 to over 1,000. Those businesses and entrepreneurs working with SBE have started or expanded over 900 businesses in Vaughan.

SBE's core client – entrepreneurs and small business with fewer than 20 employees – made up more than 80 per cent of Vaughan's over 12,000 businesses in 2018. These businesses benefit from the services and ecosystem access that ECD and SBE offer. The Department 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).

To maintain status as a leading SBEC, SBE will implement Provincial programming with Council's approval, and solidify partnerships across the region.

For more information, please contact: (Raphael Costa, Manager, Small Business and Entrepreneurship)

Attachments

1. Entrepreneurship Program Participant Grant Agreement, Economic and Cultural Development

Prepared by

Raphael Costa, Manager, Small Business and Entrepreneurship, ext. 8891