



SUBJECT: Update on strategic initiatives and organizational services

TO: Committee of the Whole

FROM: Chief Administrative Officer

Report Number: CM-10-24

Wards Affected: All

Date to Committee: December 2, 2024

Date to Council: December 10, 2024

Recommendation:

Receive for information chief administrative officer report CM-10-24 providing an update on strategic initiatives and organizational services.

PURPOSE:

Vision to Focus Alignment

- Designing and delivering complete communities
 - Providing the best services and experiences
 - Protecting and improving the natural environment and taking action on climate change
 - Driving organizational performance
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Executive Summary:

Burlington's growing and evolving economic and tourism landscapes necessitate a critical examination of how the City delivers and governs these services. Currently managed by independent boards, as part of the City's Agencies, Boards and Commissions (ABCs), Burlington Economic Development (BED) and Tourism Burlington have historically provided adequate flexibility and autonomy to respond to local business and tourism needs. However, changes in legislation over the years, increased economic complexity, a growing and changing population, and evolving City priorities present an opportunity to assess whether the current model continues to serve the community optimally.

A recent announcement from Halton Region indicates a shift of its economic development services to local municipalities, emphasizing the importance of reevaluating Burlington's current approach. This change introduces both challenges and opportunities for Burlington to enhance its services, foster local economic resilience, and maintain alignment with the

region's strategies. A periodic review of this nature helps ensure the City remains competitive, accountable, and capable of meeting stakeholder expectations.

Staff will be undertaking a review to evaluate the current structure, effectiveness, and potential integration of BED and Tourism Burlington into the City's governance framework. This review will consider alignment with City goals, operational efficiencies, stakeholder needs, and transparency. Three potential pathways are outlined: maintaining the status quo, conducting a third-party review, or proceeding with integration. This measured approach ensures Burlington's economic and tourism strategies are future-ready while remaining accountable to residents, businesses, and stakeholders.

Background and Discussion:

Historical Context of the ABC Model

The ABC model was adopted historically to navigate restrictive legislation under the *Municipal Act*, which limited municipal involvement in economic development activities. These limitations included restricting the ability of municipalities to engage in certain activities that could be seen as business-related, including offering direct incentives or engaging directly in economic development activities that competed with the private sector. These restrictions made it necessary for municipalities to operate their economic development arms externally through separate entities and, specifically to economic activities at the time, this structure offered several advantages:

- **Operational Flexibility:** ABCs could move more freely in responding to business needs and economic opportunities without being bound by the rigid constraints of municipal governance processes.
- **Governance Autonomy:** By being arm's-length from the municipality, ABCs were seen as more able to work closely with private-sector partners and advocate for economic opportunities.
- **Avoiding Legal Restrictions:** The *Municipal Act* at the time limited municipalities from engaging in what was deemed "commercial enterprises" or providing certain types of financial incentives to businesses. ABCs provided a legal workaround by being separate entities, not directly bound by these restrictions.

Over time, legislative changes have allowed municipalities greater leeway in managing their own economic development. In particular, changes to the *Municipal Act* and the introduction of new regulations such as the *Ontario Regulation 599/06* (Municipal Services Corporations) enabled municipalities to directly take on economic development activities. These amendments:

- Allowed municipalities to engage more directly in promoting local economic development, including the ability to offer incentives through programs like the Community Improvement Plans (CIP).

- Made it easier to integrate economic development within the municipal structure without facing the previous regulatory barriers.
- Provided flexibility in how municipalities could organize business units internally, allowing for the creation of economic development divisions within the city.

In recent years, many municipalities including Guelph, Windsor, Brantford, Markham, Vaughan, Newmarket, Richmond Hill, Barrie, Sudbury, North Bay, Sault Ste. Marie, Niagara Falls, St. Catharines, Oakville, and Peterborough – which is moving to an in-house model shortly, have opted to bring economic development functions back in-house to:

- Improve coordination with other city services and departments.
- Enhance accountability and transparency.
- Better align economic initiatives with broader municipal priorities.

In 2023, the City of Burlington initiated a comprehensive review to enhance its relationships with ABCs and Joint Ventures (JVs), with a focus on accountability, governance, and alignment with City objectives. This effort, endorsed in the 2023 budget, included engaging Optimus SBR to design an Accountability Framework informed by legislative guidelines, stakeholder consultations, and best practices. The project aimed to clarify roles, mitigate risks, and ensure oversight for these partnerships, which deliver services to the community ([RCC-11-24 Accountability Framework for Agencies, Boards and Commissions \(ABC\) and Joint Venture \(JV\) organizations](#), [RCC-11-24 Appendix A City of Burlington – Accountability](#)).

A significant development during this period was the proposed merger of Tourism Burlington and BED into a single independent ABC. This merger, guided by the Joint Board Governance Steering Committee formed in late 2023. Milestones included a September 2023 Letter of Intent between TB and EcDev to explore governance integration, Council's November 2023 receipt of an updated strategy report, and February 2024 discussions on shared operations and marketing. There was also a Council directive in March 2024 to expedite the merger by January 2025 in order to deliver the Municipal Accommodation Tax (MAT) program ([Local Board Governance – Merger of Tourism](#)).

In January 2025, Halton Region will cease providing economic development services, except for its Small Business Centre, transferring responsibility for these programs to local municipalities. This decision stems from legislative changes, including Bill 23 and the Cutting Red Tape to Build More Homes Act (Bill 185). These acts have reshaped the responsibilities of Halton Region, transitioning it to an upper-tier municipality without planning duties and emphasizing local governance for services connected to economic development and land use planning.

The transfer is part of a broader regional service transition plan developed collaboratively with local municipalities, ensuring local needs guide economic development efforts. Burlington is poised to take on new responsibilities, including investment marketing, site selection, servicing investment leads, and managing economic development initiatives

formerly overseen by Halton Region. This transition will require careful planning to address operational and budgetary impacts while ensuring continuity of support for businesses.

Burlington is also experiencing steady population growth and is projected to see a continued rise in residents through 2051. As of 2021, the population was approximately 186,948, reflecting a 2% growth from 2016. This trend is expected to continue, driven by regional development plans and increased housing demands, and by 2051, Burlington's population is expected to grow by over 40 percent.

These demographic shifts highlight the increasing demand for cohesive economic development and tourism strategies, making it essential to ensure the governance structure supporting these efforts remains agile and aligned with the city's evolving needs. A review of Burlington's Economic Development and Tourism framework would provide a critical opportunity to address these trends strategically and ensure that services are equipped to support long-term growth and community development.

Given these significant changes, alongside updates in legislation, local governance priorities, and regional developments, it is both timely and necessary to revisit Burlington's economic development and tourism governance structure. The City last conducted a comprehensive review of this framework in 2019 ([CM-19-20 - Burlington Economic Development Corporation](#), [CM-19-20 Appendix A - BEDC Review Part A Final Report](#)). Regular evaluations are essential to ensure alignment with best practices, operational transparency, and responsiveness to emerging economic trends, positioning Burlington for sustainable growth and success in a competitive regional landscape.

Current Effectiveness of BED and Tourism Burlington

Under the ABC (arms-length board and committee) model, Burlington Economic Development (BED) and Tourism Burlington operate independently. This structure provides certain strengths:

- **Clear Focus Areas:** Each organization is designed to operate within its defined scope, providing dedicated attention to their respective mandates.
- **Established Relationships:** Both organizations maintain relationships with external stakeholders, including businesses, community groups, and regional partners.
- **Operational Flexibility:** The arm's-length structure may provide opportunities for flexibility in implementing programs and initiatives.
- **Specialized Focus:** Teams bring sector-specific knowledge and skills aligned with their objectives in economic development and tourism.

Limitations of the Current Model

The ABC model also presents challenges that could impact Burlington's ability to address emerging priorities:

- **Alignment with City Priorities:** While effective in their focus areas, the current structure may limit opportunities to align economic development and tourism

efforts with broader City goals, such as housing affordability, environmental sustainability, and workforce development.

- **Accountability and Oversight:** Operating at arm's length from the City can make direct accountability to Council less robust, impacting transparency in funding and decision-making processes.
- **Coordination with City Departments:** The independent structure sometimes results in slower coordination with City departments, potentially delaying responses to emerging needs.
- **Public Transparency:** The arm's-length model can create perceptions of reduced public transparency compared to City-managed services, leading to challenges in communicating decision-making processes.
- **Potential Duplication:** While collaboration exists, some overlapping efforts between BED, Tourism Burlington, and City departments can lead to inefficiencies.

Potential Opportunities for Integration

Integrating BED and Tourism Burlington into the City's governance framework could address some of these challenges and offer the following advantages:

- **Improved Coordination:** More seamless execution of strategies and alignment with City departments in areas like transit, land-use planning, and business attraction.
- **Stronger Alignment with City Priorities:** Direct alignment of economic and tourism initiatives with Council's goals, such as sustainability, innovation, and equitable development.
- **Enhanced Accountability:** Increased clarity and transparency in governance, funding, and performance measurement.
- **Cohesive Decision-Making:** Integration fosters unified oversight, enabling decisions that reflect shared strategic objectives.
- **Efficient Resource Use:** Reducing duplication and ensuring resources are deployed effectively to maximize impact.

Strategy, Process, and Risk:

The City recognizes the dedication and expertise of the current volunteer boards and their significant contributions to the objectives of Economic Development and Tourism. This review is not a reflection on the performance of the boards or staff but is intended to identify opportunities for improvement and future growth.

Planned Review Scope

City staff will be commissioning a neutral, third-party review to analyze the following (this list is not exhaustive and can include additional areas of analysis):

1. Historical and Legislative Context: Assessment of how legislative changes have created opportunities for in-house models.
2. Service and Strategic Alignment: Evaluation of current services that BED and Tourism Burlington offer and their alignment with City priorities.
3. Resource Allocation: Analysis of cost efficiencies, staffing optimization, and reduction of duplication.
4. Comparative Analysis: Lessons learned from other municipalities transitioning to in-house models.
5. Operational Feasibility: Examination of functions like procurement and TechPlace's role in a restructured framework.
6. Stakeholder Perspectives: Inclusion of feedback from businesses, tourism partners, and residents.
7. Governance Options: Exploration of potential governance structures to support ongoing community involvement.

Options Considered:

Option 1: Maintain the Status Quo

Maintaining the current ABC model without initiating a review or pursuing integration retains the existing structure and operational practices.

- Benefits:
 - Avoids immediate resource expenditure or disruption to current operations.
 - Preserves the familiar structure, which has historically served Burlington's economic and tourism needs.
 - Provides continuity for existing partnerships and stakeholder relationships, minimizing potential disruptions to external collaborations.
 - Allows for ongoing assessment of the ABC model's performance without committing to changes that might not align with future needs or priorities.
- Considerations:
 - Strategic Misalignment: The current model could struggle to fully align economic development and tourism initiatives with City priorities, such as housing affordability, sustainability, and infrastructure planning.
 - Inefficiencies: Fragmentation between the City and ABCs could lead to duplication of efforts, increased costs, and missed opportunities to streamline processes.
 - Limited Transparency and Accountability: The arm's-length nature reduces direct oversight and public accountability, making it harder to ensure alignment with Council's vision and public expectations.
 - Lack of Proactive Change: Maintaining the status quo does not address the changing legislative landscape or evolving needs of Burlington's businesses and residents, potentially leaving the City at a strategic disadvantage.

Option 2: Conduct a Third-Party Review

Commissioning a neutral, evidence-based review provides a balanced and informed

approach to evaluating the current structure, understanding its strengths and gaps, and exploring the feasibility of alternatives, including integration.

- Benefits:
 - Informed Decision-Making: Offers a comprehensive analysis of the existing model and its effectiveness in achieving Burlington's economic and tourism goals.
 - Objective Insights: Ensures decisions are based on clear data and input from key stakeholders, reducing bias and speculation.
 - Flexibility for Future Action: Identifies potential pathways, whether maintaining a reformed ABC model, integration, or other solutions, without committing prematurely to a specific outcome.
 - Enhanced Stakeholder Engagement: Builds trust by incorporating feedback from businesses, tourism partners, and other stakeholders into the process.
 - Strategic Alignment: Pinpoints ways to better align services with City priorities, ensuring economic development and tourism efforts meet both current and future needs.
- Considerations:
 - Resource Commitment: Requires funding and staff time to execute effectively.
 - Limited Immediate Action: Conducting a review may delay proactive measures that could address current operational inefficiencies or missed opportunities.
 - Uncertainty During Review: Temporary uncertainty for stakeholders during the evaluation period, though mitigated by clear communication and timelines.
 - Stakeholder Fatigue: The review process could strain stakeholder engagement if it overlaps with other consultations or initiatives, leading to diminished participation or trust.

Option 3: Proceed with Integration Directly

Moving forward with the immediate integration of BED and Tourism Burlington into the City's governance framework without conducting a review.

- Benefits:
 - Potential Streamlining: May lead to faster integration of economic and tourism efforts with City priorities.
 - Increased Accountability: Direct oversight by the City enhances transparency and aligns governance with Burlington's strategic goals.
 - Reduced Duplication: Integration may eliminate overlapping administrative functions, potentially leading to more efficient use of resources.
 - Simplified Decision-Making: Consolidating governance under the City may enable quicker and more cohesive responses to emerging opportunities and challenges.
- Considerations:

- Risk of Incomplete Understanding: Proceeding without a thorough review risks overlooking critical operational, financial, or strategic challenges, leading to inefficiencies or misalignment with stakeholder needs.
- Operational Disruption: Without a detailed transition plan, integration could disrupt existing services and programs, creating confusion among stakeholders and potential gaps in service delivery.
- Missed Opportunities for Optimization: Without analyzing current strengths and gaps, the City may fail to capitalize on efficiencies or innovations that could enhance future outcomes.
- Long-Term Costs: A rushed integration may incur unforeseen expenses, particularly if restructuring efforts need to be revisited later to address missed considerations.

Among these three options, maintaining the status quo provides stability but risks failing to address pressing issues of alignment, accountability, and efficiency. Proceeding directly with integration carries significant risks of missteps and operational disruption due to the lack of a thorough understanding of existing challenges and opportunities.

Conducting a third-party review stands out as the most prudent and strategic option. It allows the City to assess the current state comprehensively, consider stakeholder perspectives, and make data-driven decisions about the optimal structure for Burlington's economic development and tourism efforts. This balanced approach ensures Burlington remains future-ready while upholding transparency and accountability to its residents, businesses, and stakeholders.

Financial Matters:

The financial implications of this initiative cannot be fully determined until the procurement process is initiated and the review is completed. While the total financial impact is currently unknown, it will be clarified upon receiving the results of the review.

Staff have budgeted a maximum of \$50,000 for a third-party review and report.

Total Financial Impact:

To be determined based on the outcomes of the procurement process and subsequent review findings.

Source of Funding:

Funding is included in the 2025 Corporate Affairs budget.

Other Resource Impacts:

Staff resources will be required to support the review through information sharing and coordination. These resource impacts will be monitored and managed to ensure alignment

with existing workloads and priorities.

Climate Implications:

N/A

Engagement Matters:

The Economic Development and Tourism Burlington Boards have been engaged in the initial stages of this process. Further stakeholder engagement will occur as part of the review to gather diverse perspectives and ensure alignment with community and organizational priorities.

Conclusion:

In conclusion, Burlington has the ability to assess the most effective approach to its economic development and tourism functions. While the current economic development and tourism efforts seem to be generally effective, evolving legislative, operational, and strategic priorities warrant a thoughtful review. Conducting a third-party assessment offers the City an opportunity to identify strengths, address gaps, and explore the feasibility of integration without committing prematurely to structural changes. This evidence-based approach ensures decisions are aligned with Burlington's goals of transparency, accountability, and sustainable growth. By proceeding carefully, Burlington can position itself to meet future economic and tourism challenges effectively while maintaining the trust of its stakeholders.

Respectfully submitted,

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Notifications:

- Anita Cassidy – Executive Director of Burlington Economic Development and Tourism Burlington
- Ron Laidman – Chair of Burlington Economic Development and Tourism Burlington

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Commissioner Legal and Legislative Services/City Solicitor.