CITY OF Burlington

Recommendation Report Summary

SUBJECT: Economic Development and Tourism service delivery options

TO: Committee of the Whole

FROM: Transformation Office

Report Number: TRN-04-26

Wards Affected: All

Date to Committee: April 13, 2026

Date to Council: April 21, 2026

Recommendation

Direct the Chief Transformation Officer to finalize and execute a service agreement with Burlington Economic Development and Tourism to the satisfaction of the Chief Administrative Officer and the Commissioner of Legal and Legislative Services; and

Direct the Chief Transformation Officer to plan for the development of a Community Economic Development Strategy, including budget considerations for Council deliberation during the 2027 budget process if necessary.

Executive Summary

Purpose of report:

This report responds to Council's direction (CAO-06-25, November 2025) to explore alternate operating models for the delivery of economic development and tourism services in Burlington.

Following a review of governance options, historic and recent stakeholder feedback, and detailed transition planning, this report presents two distinct service delivery options for Council's consideration, with a recommended path forward.

Key findings:

Historical Context:
Burlington Economic Development and Tourism (BEDT) has operated as an independent non-profit corporation since 1994 under various historic names. They offer economic

development services on behalf of the City, typically under contract via a service agreement. The most recent agreement, executed in 2023, expired in 2024.

Two independent reviews—the 2020 MDB Insight report (CM-27-20) and the 2025 Rubicon Strategy research (CAO-06-25) identified persistent challenges with the current governance and service delivery model. Despite efforts to address these issues, several challenges remain.

Key cross-cutting findings from both reports include:

- Persistent performance measurement and accountability concerns
- Role clarity challenges between BEDT and the City at both governance and departmental levels
- Lower-than-desired business engagement levels
- Questions regarding the relative value of TechPlace services compared to community partners such as the Halton Region Small Business Centre and Innovation Factory
- Ongoing inconsistency in coordination between BEDT and City departments
- Stakeholder perspectives varied on the value of the arm's-length model. Some valued independence and agility, while others identified ongoing coordination challenges

Staff, in consultation with external advisors, developed and evaluated two service delivery options for Council's consideration:

- **Option 1: Enhanced Service Agreement**
  BEDT remains an independent non-profit corporation operating under a strengthened service agreement with clearer accountability, scope definition, and performance requirements (potential terms to be negotiated attached as Confidential Appendix B). The City would cease to provide corporate support services; BEDT would secure these independently after a reasonable transition period.
- **Option 2: In-House Integration**
  BEDT is wound down. Economic development and tourism functions are brought into the City's organizational structure. Private-sector input is maintained through a Business Visitation Program and/or a Business Advisory Panel (potential transition plan attached as Confidential Appendix A).

Comparative Assessment

Each option presents trade-offs between accountability, agility, cost, and transition complexity.

Option 2 provides the most direct accountability and strongest possible alignment with Council priorities, whilst also offering measurable long-term taxpayer value. This option does also offer the opportunity to preserve private-sector input through modern engagement mechanisms.

However, at this time, the City is operating without a community-wide Economic Development Strategic Plan. Prior strategies have existed but have not consistently with a corresponding service agreement. A new economic development strategy aligned with the recently adopted Horizon 2050 Community Strategy would support future decision-making.

Financial Implications:

Option 1:
BEDT would incur new costs by procuring corporate services currently provided by the City at no cost. Estimated annual costs: **$200,000–$250,000**. If these costs cannot be absorbed, BEDT could request additional City funding.

Option 2:
Projected net savings of **$3.6 million over 10 years**, while maintaining the $1 million annual Municipal Accommodation Tax (MAT) allocation for destination marketing. One-time transition costs between **$350,000–$500,000** would be fully offset by existing BEDT reserve funds.

Background

Burlington Economic Development and Tourism (BEDT) is currently an independently incorporated, non-profit organization delivering economic development and tourism services on behalf of the City under historical service agreements and related funding arrangements.

BEDT (previously known as Burlington Economic Development Corporation) was established in 1994 with the intent to create an independent organization with private-sector credibility and a business-focused approach to economic development while also seeking to minimize ongoing municipal budget expenditures through alternate funding sources.

Over time, the relationship between the City and BEDT has become increasingly complex as municipal land-use planning responsibilities have evolved, particularly related to non-residential development review and economic growth.

The two organizations have made multiple attempts over the years to align their activities related to non-residential development, with varying degrees of success. Tourism/Destination Marketing was delivered by an alternate non-profit organization but in recent years this organization was merged with BEDT to align economic development and tourism functions under a single entity.

The City provides various corporate support services to BEDT—including HR, IT, Finance and Insurance coverage without a formal service agreement. This practice creates corporate risk exposure and contributes to public and staff confusion regarding the organizations' relationship with the City. Historic service agreements suggest that some of these supports were intended to be offered on a cost recovery basis. However, with the exception of rent and staff benefits, no cost recovery has occurred for a number of years.

Engagement with the community and business stakeholders over time indicates that many do not clearly understand the distinction between BEDT and the City, and in many cases believe that BEDT’s staff and activities are part of the municipal corporation.

<u>Previous Reviews</u>

2020 BEDC Review (CM-27-20, MDB Insight): This comprehensive review examined BEDC's governance, structure, and effectiveness. The 2020 report provided 22 recommendations to improve governance, program delivery, and accountability, but found "no overarching evidence that suggests that BEDC as an external organization model is less effective than an internal departmental model."

2025 Rubicon Strategy Research (CAO-06-25, Appendix): This more recent research was undertaken to assess whether the issues identified in 2020 had been adequately addressed. Their findings included:

- Need for stronger performance metrics and continued accountability concerns persist; 62% of survey respondents unsure or neutral about BEDT's accountability
- Role clarity between BEDT and City remains unclear; 40% of residents believe BEDT is a City department
- Business engagement levels remained lower than desired with 50% of businesses surveyed having not engaged with BEDT in past four years
- Coordination with between BEDT and City departments continued to be inconsistent, including unclear hand-offs and lack of clarity on relationship "ownership"
- Stakeholders expressed differences perspectives on the value of the arms-length model, with some valuing independence and agility while others pointed to ongoing coordination challenges.

<u>Recent Council Direction</u>

2025 – CAO-06-25: Council directed staff to explore alternate operating models for delivering economic development and tourism services, including a renewed service agreement with BEDT and the creation of a potential in-house municipal service model for consideration.

<u>City and BEDT Collaboration Since November 2025</u>

Following Council's direction, City staff have worked collaboratively with BEDT leadership to establish a Memorandum of Understanding (MOU) that enabled the sharing of information necessary to support this analysis.

This collaboration has included:

- BEDT making available a variety of corporate records to inform staff analysis
- The City sharing the confidential appendix to CAO-06-25 with BEDT leadership
- Preparation of a Statement of Facts memo, incorporated into the January 30, 2026, Council Information Package. In preparation of the memo, City staff shared a draft of the memo as well as attended the December 18, 2025, BEDT Board meeting to answer questions, provide clarifications and offer an opportunity for edits and suggestions.

- Engagement of a third-party consultancy firm to conduct research on in-house economic development models, with BEDT's CEO and Board Chair invited to participate in interviews
- Provided an opportunity for BEDT staff and Board to review and validate information relied upon in this report and its appendices.
- Staff attendance at the March 26, 2026, BEDT Board meeting to review appendices and provide clarification around any questions or issues raised by board members.

This collaborative approach ensures that Council's decision—regardless of the option selected-is informed by accurate, complete, and mutually understood information.

Analysis

Options Under Consideration

Staff have developed and evaluated two options as directed. Each option is summarized below, with its advantages, limitations, and implications.

Option 1: Enhanced Service Agreement

Under this model, BEDT remains an independent non-profit corporation but operates under a strengthened and modernized service agreement that clearly sets out scope, performance requirements, governance expectations, and risk management. The development of such a service agreement would be subject to discussion and negotiation with BEDT. Potential terms for negotiation which would outline contents of such an agreement are attached as a confidential appendix (Appendix B) in accordance with subsection 239 (2)(k) of the *Municipal Act, 2001*.

Advantages:

- Materially reduces corporate risk by clarifying that BEDT is fully responsible for its internal operations and compliance
- Improves role clarity by explicitly defining responsibilities for businesses, residents and partners while maintaining and arms-length business-facing organization
- Provides Council with performance levers such as reporting requirements, KPIs, funding conditions, and non-renewal options based on sustained underperformance
- Addresses historical gaps identified in the 2020 and 2025 reviews by strengthening accountability and scope definition.

Limitations and Risks:

- Structural friction between two separate organizations may persist, as contractual mechanisms cannot fully resolve coordination challenges identified in both the 2020 and 2025 reports.
- BEDT may incur increased administrative and overhead costs to procure corporate services independently, which could reduce program funding unless additional municipal contributions are provided.
- The model continues to require coordinated efforts between two distinct organizations, which carries risks of misalignment in strategy, messaging, and business engagement
- The agreement preserves a business-led Board but substantially restricts its advocacy role to functions explicitly agreed upon by both parties, which may differ from current Board expectations given the age of past service agreements.

- Without a Council-endorsed community-wide Economic Development Strategy, initial service agreements would rely on service-level KPIs rather than clear strategic objectives, necessitating future amendments once a strategy is completed.

<u>Option 2: In-House Integration (Municipal Model with BEDT Wind-Down)</u>

Under this model, economic development and tourism functions are brought fully within the City's organizational structure. BEDT would cease operations following an orderly transition and wind-down process, recommendations with respect to the optimal models available are available in the attached McSweeney report who conducted research on behalf of the municipality (Appendix C) as well as a phased transition plan which outlines the necessary steps, provided as a confidential appendix (Appendix A) in accordance with subsection 239 (2)(b) of the *Municipal Act, 2001*.

Advantages:

- Provides the clearest accountability by placing economic development and tourism functions directly within the municipal structure under CAO oversight.
- Eliminates the structural mismatch of an external organization relying on municipal corporate services without formal mechanisms governing accountability or cost recovery.
- Enhances alignment across economic development, planning, infrastructure, and other municipal functions, enabling a true “one-window” approach for businesses and investors.
- Generates an estimated $3.6 million in net municipal savings over 10 years compared to maintaining the current funding model.
- One-time transition costs of $350,000–$500,000 are fully offset by existing BEDT reserve funds earmarked for wind-down activities.
- Preserves private-sector input through a Business Visitation Program and/or a Business Advisory Panel targeting key employers and sector leaders.
- Directly addresses recommendations and persistent challenges identified in the 2020 and 2025 reviews

Limitations and Risks:

- Implementation would require a detailed 20-month transition plan, dedicated project leadership, and strong change-management support.
- Without an Economic Development Strategy in place, initial in-house service design would rely on high-level Horizon 2050 objectives until a full strategy is completed.
- MAT compliance requires identifying a new DMO or establishing a Municipal Services Corporation, both of which involve legal and administrative work.

- Some stakeholders may perceive an in-house model as less agile than an external corporation, requiring deliberate efforts to streamline processes and maintain direct business engagement.

<u>Municipal Accommodation Tax (MAT):</u>

At least 50% of annual Municipal Accommodation Tax (MAT) revenues must be shared with non-profit partners responsible for destination marketing, as required under provincial regulations.

Since the adoption of the MAT bylaw, the City has collected approximately $2 million annually and has shared these revenues with BEDT (and with Tourism Burlington prior to amalgamation).

Under Option 2, approximately $1 million annually would remain available for destination marketing, requiring the identification of a new non-profit Destination Marketing Organization (DMO) or the creation of a Municipal Services Corporation (MSC).

An MSC could contract municipal staff to deliver destination marketing services through an annual chargeback model, similar to the approach used successfully by the City of Hamilton, allowing economic development and tourism functions to remain integrated within the municipality.

Comparative Assessment of Options

	Option 1 **Enhanced Service Agreement**	**Option 2** **In-House Integration**
Alignment with City priorities	No current community level Economic Development Strategic Plan exists. Alignment and strategy would be by contractual compliance and alignment with municipal business planning.	No current community level Economic Development Strategic Plan exists. Full integrated alignment would occur after in-house option is realized in 2028.
Accountability to Council	Moderate, municipally determined KPIs, required municipal reporting and ongoing funding is tied to performance	Direct; fully accountable through the CAO
Service Clarity	Improved via scope definition but requires continued proactive work	Full Clarity, single City front door approach to service provision
Business Engagement	BEDT retains independent ability to identify candidates to BEDT board Scope of business engagement becomes linked to a reportable KPI	Dedicated Business Visitation Program with publicly reportable KPIs OR Creation of an advisory panel
Financial Efficiency	Possible savings with a more defined service offering. But possible increases to costs could also occur due to corporate service procurement	$3.6 million in identifiable cost savings over a 10-year timeframe.
Transition Complexity	Moderate/high, transition to procured corporate services plus service adjustments based on service agreement	High, managed transition of services to in-house model will likely take 20 months and careful project management

McSweeney finding/recommendation

An important finding worthy of further consideration is the lack of a Council endorsed, community-wide economic development strategy. McSweeney suggested this made their comparator research and analysis more complex as other municipalities offering economic development and tourism services, whether in-house or via an external partner typically have a strategy of this type established which informs not just programming and service delivery, but also the most appropriate service delivery model for those which have explored in-house economic development models.

Looking back at the historic service agreements between BEDT (BEDC at the time) and the City, the nature of the relationship outlined within those service agreements was centred around the economic development strategy in place at that time.

Prior economic development strategies have existed, but not with a contractual service agreement since the early 2010's.

At the March 2026 council meeting, Council endorsed the Horizon 2050 Strategic Plan which sets out the vision of Burlington out to 2050. This community strategy includes a set of broad strategic objectives and measurable outcomes, including economic and tourism focused outcomes. A recommendation contained within the McSweeney Report (Appendix C) would be for the City to initiate the development of an Economic Development Strategic Plan with a focus on the desired economic and tourism outcomes identified within Horizon 2050.

This plan would support decision-making around service delivery models and options regarding in-house and external service options. A municipally developed, community- wide strategy would also allow for the inclusion of other organizations whose services are funded by the city through annual operating grants.

Development of an economic development strategic plan would be valuable whether it is for the purpose of informing a future service agreement with BEDT as an independent non-profit service provider or guiding the creation of an in-house economic development and tourism function within the City.

The current recommendation before council would permit this alternate approach. In that a shorter-term service agreement between the City and BEDT could be developed, while a new community wide economic development strategy is developed. This strategy could then inform future council decision making.

Implications

Each operating model has financial implications for the municipality and for BEDT. Changes to the current operating environment via an updated service agreement have the potential to impact BEDT operating costs if BEDT are required to obtain corporation services from alternative service providers. It is unclear whether these costs could be absorbed within the existing annual operating grant, or if BEDT would request additional funding from the City. There would also be a transition period as BEDT transition from municipal corporate services to one or more third-party service providers.

Option 2 would see the municipality absorb economic development and tourism functions into the municipal organizational structure. This change would have immediate and long-term financial implications for both the City and BEDT.

It is estimated that transition costs would be between $350,000 and $500,000. These costs could be covered by monies held within the BEDT reserve fund assuming the BEDT board supports the proposed transition. A reserve fund for this purpose is currently available with $900,000 being held for wind-down costs.

If selected by Council, Option 2 would require specific budget adjustments during the 2027 budget development. The 2027 operating budget would see the operating grant allocated to BEDT reduced recognizing the wind-down of services throughout the year. Likewise, a new in-house Economic Development budget would need to be created within the municipal operating budget. It is anticipated that as the in-house budget increases, the BEDT budget will be reduced proportionately. The previously mentioned BEDT reserve budget could be leveraged as a contingency funding option. In 2027, as the wind down takes place there would be an asset transfer with the remaining BEDT reserve transferred to the City.

The municipal operating grant provided to BEDT in 2026 was $1,996,000. The current City of Burlington current practice is to increase the operating grant annually by 1.75%. This grant is separate and aside from the Municipal Accommodation Tax (MAT) distribution.

Based on the transition plan and operating model outlined within Appendix A. It is anticipated that the level of operational funding necessary from the municipal tax base in 2027 would be approximately $1.5 million, a reduction of around $500,000 from what would be provided to BEDT in 2027. This would also see a reduction of approximately $300,000 annually in municipal revenue given the lease rates paid to the City by BEDT.

A municipally operated Economic Development and Tourism function would remain eligible for funding from provincial/federal business development grant programs as well as a continuation of revenues collected by TechPlace.

Over a ten-year fiscal planning horizon, assuming the operating grants to Boards and Commissions continues to increase by 1.75% annually over this period, compared to an in-house municipal tax contribution increasing by an average of 4.5% annually. This would see an operational saving of $3.6 million over a 10-year period.

	In-house operating budget (minus municipal tax contribution) - 4.5% annual increase	BEDT operating grant - 1.75% annual increase	Annual Savings
2027	$1,500,000.00	$2,030,930.00	$530,930.00
2028	$1,567,500.00	$2,066,471.28	$498,971.28
2029	$1,638,037.50	$2,102,634.52	$464,597.02
2030	$1,711,749.19	$2,139,430.63	$427,681.44
2031	$1,788,777.90	$2,176,870.66	$388,092.76
2032	$1,869,272.91	$2,214,965.90	$345,692.99
2033	$1,953,390.19	$2,253,727.80	$300,337.61
2034	$2,041,292.75	$2,293,168.04	$251,875.29
2035	$2,133,150.92	$2,333,298.48	$200,147.56
2036	$2,229,142.71	$2,374,131.20	$144,988.49
2037	$2,329,454.13	$2,415,678.50	$86,224.37
		Total	**$3,639,538.82**

At least 50% of the annual Municipal Accommodation Tax (MAT) revenues must be shared with non-profit partners responsible for destination marketing. These revenues would be collected and dispersed as necessary to an identified non-project destination marketing partner(s), or a Municipal Services Corporation would be created to act as an independent destination marketing organization. There are initial costs associated with creating a MSC as well as ongoing operational costs to facilitate destination marketing activities. These costs would be covered by the current MAT reserve budget, plus annual MAT revenues.

Since the adoption of the MAT Bylaw, the City has collected approximately $2 million annually and shared this revenue with BEDT (and Tourism Burlington prior to their amalgamation with BEDC). This would see approximately $1 million made available annually to destination marketing partners or the MSC if created.

If Council's preferred option is to develop an economic development strategic plan prior to any final decision making around an in-house economic development model. This would see the City enter into a service agreement with BEDT while the City identify a budget to engage in strategy development. This could be considered during the 2027 budget process or paid for in full or in partnership by BEDT via an existing reserve fund.

This would see Council receive an economic development strategy in the next council term, allowing for Council to reconsider the in-house operating modal against Council endorsed strategic objectives, while also taking into consideration how the two organizations are operating under a modernized service agreement. Any new service agreement with BEDT would see BEDT and the City address the corporate service risks identified.

As such, it is anticipated that BEDT would incur approximately $200,000 in additional costs annually (plus annual inflationary procurement increases). It is unclear if these costs would be absorbed by the existing operational budget or if BEDT would seek additional funding from the municipality to cover these additional costs.

References

RCC-11-24
CAO-06-25
CM-19-20
Appendix to CAO-06-25
Appendix A to CM-19-20
Jan 30, 2026, Council Information Package – Supplemental memo to CAO-06-25

Strategic Alignment

(Select all that apply)

☐ 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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Appendices:

A. CONFIDENTIAL - Transition Plan to municipal economic development and tourism service delivery
B. CONFIDENTIAL - Potential Service Agreement Terms for Negotiation
C. McSweeney Report

Report Approval:

All reports are reviewed and approved by the Commissioner, Head of Corporate Affairs, Chief Financial Officer, and Commissioner of Legal and Legislative Services/City Solicitor.