

CITY OF VANCOUVER

ADMINISTRATIVE REPORT



Report Date: March 7, 2006
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RTS No.: 05756
VanRIMS No.: 05-1000-20
Meeting Date: March 23, 2006

TO: Standing Committee on City Services and Budgets

FROM: General Manager of Corporate Services

SUBJECT: Vancouver Economic Development Commission ("VEDC")
Changes to Term of service contract, Board size, and term of appointment
for Board members

RECOMMENDATION

- A. That Council approve an amendment of the term of the service contract (the "Term") between City of Vancouver (the "City") and the Vancouver Economic Development Commission (the "VEDC") from one year to three years to match the term of Council; Provided That any obligation of the City to provide funding for each year of the three-year service contract will be subject to an annual review of the preceding year's operating and financial results and Council approval of the upcoming year's business plan and operating budget. In association with the extension of the Term of the service contract, That Council also approve that the service contract be amended to provide that any contracts that the VEDC proposes to enter into which are for a length of more than one year will require Council approval. The current provision in the service contract that allows the City to terminate the service contract on 90-day notice will remain in effect.
- B. That Council approve an amendment of the VEDC by-laws to lengthen the term of appointment for Board members from two years to three years, subject to the approval by the Director of Legal Services of the language of the amendments prepared by the VEDC's legal counsel.
- C. That Council approve an amendment of the VEDC by-laws to reduce the size of the VEDC Board from a maximum of fifteen members to a maximum of nine members over three years, subject to the approval by the Director of Legal Services of the language of the amendments prepared by the VEDC's legal counsel.

- D. That the service contract between the City and the VEDC be amended by and on terms and conditions satisfactory to the Director of Legal Services to reflect provision of recommendation A.

CITY MANAGER'S COMMENTS

The City Manager recommends that Council approve recommendations A, B, C and D.

COUNCIL POLICY

Council has a policy of contracting with the VEDC for the provision of economic development services through a service contract. The contract is renewable each year at the discretion of Council, subject to an annual review of the VEDC's operating and financial results, and audited financial statements for the preceding year; and Council approval of the business plan and operating budget for the upcoming year. Current agreement allows the City to terminate the service contract on 90-day notice.

PURPOSE

The purpose of this report is to seek approval for the proposed amendments of the Term and ancillary amendments of the service contract between the City and the VEDC, and amendments to the VEDC's by-laws to reduce the Board size and to lengthen the term of appointment for Board members.

BACKGROUND

The VEDC is an arm's length, non-profit organization established by Council as a result of the recommendations brought forward by the City's Economic Development Task Force. It was incorporated in 1996.

As stipulated in the 2005 service contract, the VEDC's mandate is:

- To provide leadership with respect to economic development in Vancouver
- To promote Vancouver as a vibrant and diversified destination for business and investment
- To assess and report on performance indicators for Vancouver and the VEDC
- To provide policy advice and recommendations as requested by Council as a whole or as directed by the VEDC Board

Services encompass, but are not limited to, the following:

- Economic development leadership
- Attract, retain and expand businesses
- Act as a conduit between government and business/expeditor
- Trade delegations/missions
- Research and provide economic information
- Performance measurement

The VEDC is governed by a fifteen-member Board appointed by Council through the application process for appointment to advisory bodies. Alongside the Board are five ex-

officio representatives from the provincial and federal governments and two designated Council liaisons. Collectively, they bring an array of knowledge and contacts in the areas of communications, economics, international finance, technology, transportation, and urban development. Board members currently serve two-year terms; half of the Board appointments expire every year.

DISCUSSION

The VEDC Board (the "Board") has resolved that a strong VEDC is imperative to the long-term economic health and sustainability of Vancouver, evidenced by the economic and employment opportunities available to its residents, businesses and investors. However, the Board has identified a number of organizational challenges to meeting its mandate.

As identified in the 2005 business plan, a key goal of the Board was to strengthen the organization in order to enhance its ability to attract and retain qualified professionals. The Board is concerned about the ongoing turnover experienced at both Board and staff levels. A Governance Committee was established to undertake a review to address various issues including:

- Service contract with the City
- Board size and term
- Staff attraction and retention (conducted by an independent HR consultant)
Refer to Administrative Report to Standing Committee on City Services and Budgets (RTS No. 05757) - VEDC 2005 Operating and Financial Results (Unaudited), and 2006-2008 Business Plan and 2006 Operating Budget for details.
- Communication between the VEDC and key stakeholders

As a result of the review, the Board has brought forward the following proposals for Council consideration.

Proposal #1 - Term of service contract to change from one year to three years

The VEDC currently operates on an annual services contract renewable at the discretion of Council. Within the first quarter of each year, the VEDC submits to Council a business plan and operating budget for the year for its review and approval. This approach, from the Board's perspective, results in the following:

- The Board and the business community are under the impression that the City does not view economic development as a priority. The VEDC's ongoing role in the future of Vancouver is perceived as tenuous when reviewed and funded on an annual basis.
- The VEDC's focus has been tactical rather than strategic due to uncertainties in long-term funding. The annual business plan focuses on short-term actions and services that do not require multi-year resource commitment.
- The VEDC's ability to attract and retain qualified employees and Board members is impeded by the perceived lack of long-term commitment from the City, affecting its stability and capacity to optimize results.

Board proposal: The City to extend the Term of the service contract with the VEDC from one year to three years to enable the VEDC to develop and deliver longer term strategies and activities to keep Vancouver economically strong and competitive.

Staff comment: Staff support development of a longer term business plan and extension of the service contract to three years to match the term of Council; provided that any obligation of the City to provide funding for each year of the three-year service contract will be subject to an annual review of the preceding year's operating and financial results, and Council approval of the upcoming year's business plan and operating budget. In association with the extension of the Term of the service contract, any contracts that the VEDC proposes to enter into which are for a length of more than one year will require Council approval. The current provision in the service contract that allows the City to terminate the service contract on 90-day notice will remain in effect.

Proposal #2 - Appointment for Board members to change from two-year term to three-year term

Appointment of Board members is currently in two-year terms, staggered in halves. Every year, up to half of all Board members could be retiring, resulting in a lack of continuity and loss of momentum for organizational strategies during transition.

Board proposal: Amendment of the VEDC by-laws to lengthen the term of appointment for Board members from two years to three years, staggered in thirds, to enhance continuity and momentum.

Proposal #3 - Board size to reduce from fifteen members to nine members

The size of the Board as established by Council is currently fifteen members, a large number relative to the VEDC's organizational and resource capacity. It is believed that a smaller Board would keep members more engaged and focused. Together with the proposed three-year term, the annual turnover will be limited to three Board members only, assuming no mid-term resignations.

The City, through the City Clerk's Department, conducts the annual application for appointment to fill vacant Board positions. To avoid any pre-mature resignation of existing Board members, the proposed reduction would take place gradually over the next two to three years until the Board reaches nine members.

Board proposal: Amendment of the VEDC by-laws to reduce the Board size from a maximum of fifteen members to a maximum of nine members.

FINANCIAL IMPLICATIONS

Any obligation of the City to provide funding for each year of the three-year service contract will be subject to an annual review of the VEDC's operating and financial results of the preceding year, and Council approval of the business plan and operating budget of the upcoming year. In association with the extension of the Term of the service contract, any contracts that the VEDC proposes to enter into which are for a length of more than one year will require Council approval. The current provision in the service contract that allows the City to terminate the service contract on 90-day notice will remain in effect.

CONCLUSION

The VEDC Board passed the foregoing resolutions and has requested that Council approve the proposals brought forward to enable the VEDC to effectively fulfill its mandate in a long-term strategic and sustainable manner.

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