

CITY OF VANCOUVER

ADMINISTRATIVE REPORT



Report Date: March 10, 2006  
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RTS No.: 05757  
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")  
2005 Operating and Financial Results (Unaudited),  
2006-2008 Business Plan and 2006 Operating Budget

**RECOMMENDATION**

- A. THAT Council receive for INFORMATION the VEDC 2005 operating and financial results (unaudited), 2006-2008 business plan, and 2006 budget requests.
- B. THAT Council receive for INFORMATION the report on the VEDC 2006 operating budget request and new program funding requests, and defer approval and funding as laid out in the following Recommendations and Considerations to the 2006 Interim Operating Budget.
- C. THAT Council approve the operating budget request of \$642,000, which reflects general inflation of 4%; funding provided for in the 2006 Operating Budget.
- D. THAT Council fund the VEDC's staff compensation adjustments approved by the VEDC Board resulting from an HR Consultant review of staff attraction and retention by adding to their baseline budget at an annual cost of \$60,000 prorated at \$30,000 for 2006; funding to be added to the 2006 Operating Budget.

**CONSIDERATION**

- E. THAT Council approve the following 2006 new program funding requests by the VEDC based on the 2006-2008 economic development priorities determined by Council by choosing one or more of the following options:
  - E.i Fund the Economic Development Strategy at \$106,000 for 2006: \$43,500 for a contract position and \$62,500 for program costs; release

of program costs subject to a report back by the VEDC of a project plan and detailed budget.

- E.ii Fund the Policy Advice and Development proposal at \$72,500 for 2006 by adding a permanent position to their baseline budget at an annual cost of \$87,000 prorated at \$43,500 for 2006 and \$29,000 for program costs for 2006.
- E.iii Fund the Marketing Strategy at \$35,000 for 2006.
- E.iv Fund the proposed Business Attraction Enhancements at \$30,000 for 2006.

Subject to Council approval of the Administrative Report to Standing Committee on City Services and Budgets (RTS No. 05756) - VEDC Changes to Term of service contract, Board size, and term of appointment for Board members

- F. THAT Council approve that a three-year service contract be entered into between the City of Vancouver (the "City") and the VEDC from 2006 to 2008; and that the service contract be developed and executed by the Director of Legal Services to reflect provisions of adopted recommendations and considerations.

**Approval and funding to be deferred to the 2006 Interim Operating Budget.**

#### **CITY MANAGER'S COMMENTS**

Council has identified economic development as a top priority for Vancouver. The economic development activities described in this report are intended to positively impact Vancouver's economy; to enhance the current tax base; to sustain the quality of life; and to ensure that Vancouver retains the competitive edge of being the No. 1 business capital in British Columbia. These activities are consistent with those carried out by other cities which generally invest substantially more per capita in economic development than Vancouver.

The VEDC's ability to provide proactive and effective economic development services depends heavily on the availability of financial resources, strong leadership at both Council and VEDC Board levels, and expertise at the VEDC staff level. Over the past three years, the annual increase in the VEDC's operating budget was mainly inflationary adjustment; with the exception of 2005 where an additional 2.5% was attributed to an adjustment in the calculation of employee benefits. It is evident that inflationary adjustment no longer keeps pace with the VEDC's resource requirement to fulfill its Council-approved mandate. Council must determine the City's economic development priorities, clarify the VEDC's role, and provide the level of financial support that is appropriate for the activities desired.

In 2005, the VEDC had either completed or achieved significant progress on the majority of the planned activities. The VEDC received \$616,000 from the City and achieved a favorable variance of \$30,272 (5%). Besides City funding, the VEDC raised \$73,130 external monies to fund various special projects, including Sector Targeting which is the first phase of the economic development strategy.

The VEDC views 2006-2008 as the foundation years to plan for mid to long-term strategies to attract, retain and expand businesses; seize opportunity to capitalize on the 2010 Games; and ultimately enhance the City's current tax base. To achieve these, the Board is seeking Council approval of and funding for five program initiatives. These include a staff attraction and retention program resulting from a study conducted in 2005 as part of the 2005 business plan; and four economic development programs that fall within the VEDC's mandate and scope of activities as approved by Council. Recognizing the budget constraint faced by the City, rather than requesting the City to fund all five initiatives, the VEDC has provided Council with options ranging from approval of all the initiatives to approval of specific initiatives, with the staff attraction and retention program, economic development strategy, and policy advice and development being the Board's top priorities.

While the new program initiatives brought forward by the Board fall within the VEDC's mandate and scope of activities approved by Council, the City is currently faced with substantial budget challenges. It is therefore not feasible to accommodate the VEDC 2006 budget requests in its entirety. However, to ensure that Vancouver remains the dominant city within the Greater Vancouver Regional District (the "GVRD"), it would be appropriate for the City to provide funding to enable the VEDC to effectively fulfill its mandate in accordance with the economic development priorities determined by Council. City staff support the proposed staff attraction and retention program that is intended to address the staff turnover, attraction and retention challenges faced by the VEDC and to enhance its capacity to deliver economic development services. Depending on Council's expectation of the VEDC's role in the City's economic development, Council may consider approving any or all of the proposed economic development program initiatives. To reflect the timing of budget approval by Council, the 2006 funding requirements for the program initiatives have been adjusted by City staff accordingly.

## **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 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:

- Present to Council the VEDC 2005 operating and financial results, 2006-2008 business plan, and 2006 budget requests.
- Request that Council determine the 2006-2008 economic development priorities for Vancouver, consider the new program initiatives proposed by the VEDC, and provide appropriate funding to reflect such priorities.
- Request that Council approve that a three-year service contract be entered into between the City and the VEDC from 2006 to 2008 that reflects such priorities.

## 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 has five staff members, and 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 Tourism Vancouver, and two designated Council liaisons. Collectively, the Board brings 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.

Staff has submitted the Administrative Report to the Standing Committee on City Services and Budgets (RTS No. 05756) recommending an amendment of the term of the service contract (the "Term") 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 business plan 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. Staff has also recommended amendments of the VEDC by-laws to lengthen the term of appointment for Board members from two years to three years; and to reduce the size of the Board from a maximum of fifteen members to a maximum of nine members over three years.

## DISCUSSION

### 2005 Operating and Financial Results

#### 2005 Operating Results

There were three goals identified in the VEDC 2005 Business Plan:

Goal #1 - To drive core activities

- Business First - focus on existing businesses and provide support
- Business friendly environment - policy development
- Business services and research
- Business attraction and recruitment

Goal #2 - To plan for the Long Term

- Plan 2010
- Economic development strategy for the City
- Support regional economic development
- Film competitiveness

Goal #3 - To develop the organization and strategic relationships

- Build capacity
- Build profile and credibility
- Build strategic relationships
- Benchmark progress and develop comprehensive indicators
- Monitor best practices

Comparison of the planned activities and actual results are detailed in Appendix A. The VEDC 2005 Performance Report is distributed under separate cover.

In 2005, the VEDC had either completed or achieved significant progress on the majority of planned activities. As the business plan and operating budget was approved by Council in April, implementation of 2005 initiatives was delayed until funding was confirmed. Two staff positions were also vacant until April and May. As a result, the first phase of the economic development strategy, Sector Targeting (Goal #2), was scaled back and started only in November. This phase of work will continue in 2006 with target completion in April.

The VEDC has worked closely with City staff throughout the year on organizational issues, joint planning and projects such as BIA business profiles, film competitiveness study, and sustainability. The VEDC is committed to building strong and effective relationships with the City.

#### 2005 Financial Results (Unaudited): Management Reporting

In 2005, the City provided \$616,000 to the VEDC to cover its operating expenses. As of year end, actual operating expenses were \$585,728, resulting in \$30,272 (5%) favorable variance.

- Key drivers -
  - Two staff positions vacant for four to five months, resulting in favorable variances in salaries and benefits - \$19,704 (5%) and core activities - \$8,734 (11%)

- Office expenses lower than expected, resulting in \$5,606 (18%) favorable variance
- Offset by -
  - Office rent under-budgeted to reflect the six-year lease commencing in May 2005, resulting in \$4,122 (8%) unfavorable variance

The 2005 budget also included \$56,100 external funding and \$79,000 draw from the accumulated surplus to fund \$121,100 special projects and \$14,000 capital expenditures. During the year, the VEDC was successful in raising \$17,030 more external funding than budgeted and spent less on special projects due to deferral of \$24,667 of the Sector Targeting project to 2006; these combined with other favorable variances reduced the draw from the accumulated surplus by \$48,535.

Details of the 2005 financial results are found in Appendix B.

## **2006-2008 Business Plan and Budget Requests**

In 2005, the Board spent a considerable amount of time reviewing its strategic direction in relation to the key challenges that Vancouver is confronted with. These include:

- How to ensure a diverse and resilient economic base in Vancouver?
- How to sustain Vancouver's status as the dominant city within the GVRD?
- How to enhance Vancouver's economic role within the GVRD?
- How to ensure small businesses grow and continue to contribute to the City?
- How to improve the City's tax base to achieve long-term financial sustainability?
- How are current land use policies shaping Vancouver's future economy?

To address these challenges, the VEDC has developed a three-year business plan that establishes the foundation for what the Board terms as an effective economic development program for Vancouver. The 2006 business plan will continue to build upon the work completed in 2005, and seize opportunities created by the 2010 Games.

Below is a summary of the 2006 business plan and budget requests. The 2006-2008 Business Plan and Budget is distributed under separate cover.

### **2006 Business Plan**

The 2006 business plan focuses on three goals:

Goal#1 - Drive client programs and services for business retention, expansion and investment attraction

- Identify strategic opportunities for growth and remove barriers to business expansion
- Respond to location inquiries and promote Vancouver as a business and investment location
- Influence policies that impact Vancouver's business climate and competitiveness
- Maintain a comprehensive research program to support VEDC strategies for business retention, expansion, attraction, and policy development
- Communicate information to client audiences
- Support regional economic development efforts

- Ensure a competitive film industry

Goal#2 - Plan for the long-term economic prosperity of Vancouver

- Establish comprehensive information about Vancouver's economy and competitive position
- Commence work on an economic development strategy for the City

Goal#3 - Build a strong and effective organization capable of delivering on the City's economic goals

- Build VEDC profile and credibility with clients
- Build VEDC capacity through staff and Board development
- Build strategic relationships to leverage funds and coordinate strategies and activities

### **New Programs/Funding Requests**

The Board is seeking Council approval of five programs/funding requests to augment its 2006 core activities. These include a staff attraction and retention program resulting from a study conducted in 2005 as part of the 2005 business plan; and four economic development programs that are within the VEDC's mandate and scope of activities as approved by Council.

- I. Staff attraction and retention program recommended by an external HR consultant and adopted by the Board to address staff turnover (in support of Goal #3) - \$60,000
  - Implement staff pension plan and compensation adjustments

Economic development initiatives:

- II. First stage development of a marketing strategy (in support of Goal #1) - \$35,000
  - Develop an effective marketing strategy leading up to 2010
  - Develop a distinct Vancouver brand to promote Vancouver
- III. Business attraction enhancements (in support of Goal #1) - \$30,000
  - Out-/Inbound missions in partnership with other levels of government and industry to attract new business investment to Vancouver
- IV. Policy advice and development (in support of Goal #1) - \$137,000
  - Undertake increased analysis and policy development to drive change and strategic activities; and work more closely with Council to provide economic development perspective on key decisions
- V. Economic development strategy (in support of Goal #2) - \$212,000
  - Develop an economic development strategy for Vancouver that establishes long-term economic development goals, identifies Vancouver's role within the regional economy and global competitive position, and ensures a prosperous and diverse economy

Among the four economic development initiatives, the Board considers an economic development strategy for Vancouver to be the top priority. An effective and well-defined economic development strategy articulates a vision for Vancouver that supports its future economic prosperity and long-term fiscal competitiveness. It provides strategic focus that

directs the attention and resources of all stakeholders in a common direction. Such a strategy puts forward priorities, and challenges all levels of government and the private sector to jointly develop, fund, and implement specific action plans that capitalize on economic opportunities.

Rather than a standalone strategy, the proposed economic development strategy will complement other City strategic documents such as environmental planning, cultural planning, and City Plan; and will provide economic context to City policies for land use, taxation and regulation. It will also highlight the inter-dependence of Vancouver and other surrounding municipalities, and will seek to advance Vancouver's economy in the context of a larger region, making sure that the region is benefited as a whole while Vancouver's interests are protected. Successful implementation of the strategy will require partnership between the City, the VEDC, and all stakeholders to make Vancouver's economy a priority and to ensure future prosperity for residents, community groups and the private sector.

The economic development strategy is a long-term document that requires approximately twelve months to complete. Recognizing the significance of having an economic development strategy for Vancouver, the VEDC has attempted to tackle the project in phases. In 2005, the VEDC secured external monies to partially fund the first phase of the economic development strategy, Sector Targeting. It started in November 2005 and will be completed by April 2006. To carry on the work, the VEDC will need additional resources in 2006 and onwards. Upon completion, the VEDC will implement portions of the strategy within its resource capacity, and will partner with other stakeholders and various City departments to implement the rest.

### 2006 Budget Requests

In the 2006 business plan, the VEDC is requesting \$1,130,000 from the City, representing an increase of \$514,000 (83%) from the 2005 budget of \$616,000.

Details of the 2006 budget requests are as follows:

	Budget 2005	Budget 2006	Budget-to-Budget Increase (Decrease)		Notes
<b>Operating Expenses</b>					
Salaries and benefits	432,000	443,040	11,040	3%	1
Office rent	50,000	63,000	13,000	26%	2
Professional fees	9,750	10,360	610	6%	
Research and information services	15,000	15,000	-	-	
Office expenses	30,750	30,500	(250)	(1%)	
Core activities Retention, attraction, promotion, and information services	78,500	80,100	1,600	2%	
<b>Total Operating Expenses</b>	<b>616,000</b>	<b>642,000</b>	<b>26,000</b>	<b>4%</b>	
<b>Capital Expenditures</b>	<b>-</b>	<b>14,000</b>	<b>14,000</b>	<b>-</b>	<b>3</b>
<b>BUDGET REQUESTS <i>BEFORE</i> NEW INITIATIVES</b>	<b>616,000</b>	<b>656,000</b>	<b>40,000</b>	<b>6%</b>	



<b>New Initiatives</b>					
I. Staff attraction and retention program		60,000			4
Economic development programs:					
II. Marketing strategy		35,000			
III. Business attraction enhancements		30,000			
IV. Policy advice and development		137,000			5
V. Economic development strategy		212,000			6
Total economic development programs		414,000			
<b>New Program/Funding Requests</b>		474,000			
<b>BUDGET REQUESTS <u>AFTER</u> NEW INITIATIVES</b>					
	616,000	1,130,000	514,000	83%	
<b>Other Sources of Funding</b>					
External funding	56,100	76,667	20,567	37%	7
Draw from accumulated surplus	79,000	-	(79,000)	(100%)	
<b>Total Other Sources of Funding</b>	135,100	76,667	(58,433)	(43%)	
Special projects	121,100	76,667	(44,433)	(37%)	7
Capital expenditures	14,000	-	(14,000)	(100%)	3
<b>Total Special Projects and Capital Expenditures</b>	135,100	76,667	(58,433)	(43%)	

Notes:

- Salaries and benefits include inflationary increase of 2.5% and compensation adjustments
- First full year of the six-year lease (May 2005 - April 2011); monthly payment includes rent and operating expenses (utilities, property tax, etc.)
- Capital expenditures was funded from accumulated surplus in 2005; 2006 - included in the budget request to the City:
  - Replacement of server - \$5,000
  - Replacement of computer for an existing employee - \$3,000
  - Software upgrades - \$2,000
  - New computer - \$3,000 and workstation furniture - \$1,000 for 1 additional FTE in support of the policy advice and development initiative
- Staff attraction and retention program includes Municipal pension plan and compensation adjustments
- Policy advice and development includes:
  - Program cost - \$50,000
  - 1 additional FTE - \$87,000
- Economic development strategy includes:
  - Program cost - \$125,000
  - One-year project management contract - \$87,000
- Special projects include:
  - BIA business profiles - \$52,000 (External funding - \$50,000, BIA program funding from the City outside of service contract - \$2,000)
  - Sector targeting - \$24,667 (External funding - \$18,500, \$6,167 unbilled portion carried forward from 2005)

Besides operating expenses, the VEDC has raised \$76,667 external monies in 2005 to fund two special projects in 2006, representing \$20,567 (37%) increase from 2005. The VEDC does not plan to fund this year's capital expenditures of \$14,000 from the accumulated surplus and has included it in the 2006 budget requests.

**Economic Development Strategy** - The VEDC is requesting \$87,000 to fund a one-year project manager position and \$125,000 program costs for 2006. The role of the project manager will include defining the scope of work with the steering committee, City staff, and key stakeholders; developing term of reference, project plan and timeline; hiring and managing external consultant(s); promoting to the business community and various levels of government to get buy-in; and performing general project management duties. The program costs are set based on the costs of developing similar strategies in other comparable cities in North America. The costs will cover facilitation, data analysis, writing, meetings and forums, and public consultation processes such as communications and publications. Through the Sector Targeting project, which has been conducted in partnership with City departments such as Sustainability, Planning and Cultural Services, the VEDC has identified approximately 10 industry sectors to focus on. The scope and depth of work will depend on funding availability; hence further details on expenses are not available at this point. The VEDC will also strive to seek financial contribution from other stakeholders to leverage City funding.

**Policy Advice and Development** - The VEDC is requesting \$87,000 for an additional FTE and \$50,000 program costs for 2006. The role of the policy advisor will be to provide Council, upon request, an economic development perspective on key issues as they arise (e.g. big box store). This will include provision of reports that outline the economic pros and cons, options and recommendations. In addition to this advisory role, the VEDC will conduct more comprehensive studies on macro issues that affect Vancouver's competitiveness in business attraction and retention (e.g. commercial space in downtown, industrial land use). The program costs are intended to fund this role. Tasks will generally include more comprehensive and detailed analyses, problem identification, impact analysis, and developing strategies and solutions. The costs are set based on the film competitiveness study - \$55,000, and will cover one major study in 2006 and some smaller incidental work.

## **FINANCIAL IMPLICATIONS**

It is the view of the Board that the current operating budget can only support the delivery of tactical rather than strategic economic development services. The new program initiatives outlined in the 2006-2008 business plan are necessary to enable the VEDC to effectively fulfill its mandate as approved by Council. The Board has brought forward the following funding options for Council consideration:

	2006-8 Budget for New Initiatives	2006 Budget	Increase from 2005 Budget	2006 Funding Options		
				A	B	C
Budget Requests <i>Before</i> New Initiatives		656,000	6.5%	X	X	X
New initiatives:						
I. Staff attraction and retention program	185,454	60,000	9.7%	X	X	X
Economic development programs:						
II. Marketing strategy	235,000	35,000	5.7%	X		
III. Business attraction enhancements	461,900	30,000	4.9%	X		
IV. Policy advice and development	423,400	137,000	22.2%	X	X	
V. Economic development strategy	662,000	212,000	34.4%	X	X	X
Budget Requests <i>After</i> New Initiatives				\$1,130,000	\$1,065,000	\$928,000
Net Increase from 2005 Budget of \$616,000				\$514,000	\$449,000	\$312,000
				83%	73%	51%

Staff comment: As approval and funding for the VEDC 2006 business plan and operating budget will be deferred to the City's 2006 Interim Operating Budget, staff recommend adjusting the funding requests for the new program initiatives to half year where appropriate. Similar to 2005, capital expenditures for 2006 should be funded from the accumulated surplus.

The adjusted 2006 budget requests and funding options are as follows:

	<u>Adjusted</u> 2006 Budget	Increase from 2005 Budget	<u>Adjusted</u> 2006 Funding Options		
			A	B	C
<u>Adjusted</u> Budget Requests <i>Before</i> New Initiatives	642,000 <sup>1</sup>	4.2%	X	X	X
New initiatives:					
I. Staff attraction and retention program	30,000 <sup>2</sup>	4.9%	X	X	X
Economic development programs:					
II. Marketing strategy	35,000	5.7%	X		
III. Business attraction enhancements	30,000	4.9%	X		
IV. Policy advice and development	72,500 <sup>1,2</sup>	11.8%	X	X	
V. Economic development strategy	106,000 <sup>2</sup>	17.2%	X	X	X
<u>Adjusted</u> Budget Requests <i>After</i> New Initiatives			\$915,500	\$850,500	\$778,000
Net Increase from 2005 Budget of \$616,000			\$299,500	\$234,500	\$162,000
			49%	38%	26%

<sup>1</sup>\$10,000 capital expenditure to be funded from accumulated surplus and \$4,000 to be reclassified to the policy advice and development program; \$14,000 in total removed from 2006 operating budget

<sup>2</sup>Initiatives adjusted to half year; programs to be initiated mid-year following 2006 business plan and budget approval

Included in all three options is the staff attraction and retention program intended to address the VEDC's staff turnover, attraction and retention issues and enhance its capacity to deliver economic development services. Other programs included in each option are presented below:

Option A - At a cost of \$915,500, the VEDC will provide the City with a marketing and branding strategy to seize opportunities created by the 2010 Games; enhance the business attraction program; provide policy advice to Council from an economic perspective; and develop an economic development strategy. This represents an increase of \$299,500 (49%) from the 2005 budget, or 0.07% property tax increase.

Option B - At a cost of \$850,500, the VEDC will provide the City with policy advice to Council from an economic perspective, and develop an economic development strategy. There will be no marketing and branding strategy, and no enhancement to the business attraction program. This represents an increase of \$234,500 (38%) from the 2005 budget, or 0.05% property tax increase.

Option C - At a cost of \$778,000, the VEDC will develop an economic development strategy. There will be no marketing and branding strategy, and no enhancement to the business attraction program. The VEDC will not be able to fulfill its policy advisory role. This represents an increase of \$162,000 (26%) from the 2005 budget, or 0.04% property tax increase.

## CONCLUSION

The VEDC benefited from over 1,600 volunteer hours and in-kind support from Board members and the business community. Board members bring to the VEDC an array of business knowledge and experience, and are committed to advancing the economic development interests of the City. Over the past years, the VEDC has been successful in raising external monies to fund various strategic programs; in 2006, the VEDC will continue to strive to raise external funds to leverage the City's investment in the VEDC.

The VEDC has submitted the 2005 operating and financial results, 2006-2008 business plan, and 2006 operating budget for Council review and approval; and has requested that Council renew the service contract for three years from 2006 to 2008 and provide the necessary funding.

Staff recommend that Council determine the 2006-2008 economic development priorities for Vancouver, consider the new program initiatives proposed by the VEDC, and provide appropriate funding to reflect such priorities. Staff further recommend that Council approve that a three-year service contract be entered into between the City and the VEDC from 2006 to 2008 that reflects Council priorities.

Approval and funding for the VEDC 2006 business plan and budget requests to be deferred to the 2006 Interim Operating Budget.

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## Appendix A - 2005 Operating Results

### Goal #1 - Drive core activities

Planned Activities	Actual Result
<b>Business retention and expansion</b>	
<b>Implement the Business First program with active outreach to existing businesses</b>	
<ul style="list-style-type: none"> <li>• Conduct in-person interviews with senior management of local companies/enterprises</li> <li>• Establish target sectors and businesses for 2005 interviews (4 sectors/150 business)               <ul style="list-style-type: none"> <li>- Incorporate questions to probe sustainability and 2010 opportunities, barriers and practices</li> </ul> </li> <li>• Coordinate with Provincial and Federal government interview programs</li> <li>• Encourage use of a common web-based software and database platform</li> <li>• Translate Business First findings into policy advice and recommendations for Council and staff</li> <li>• Prioritize general and sector-specific barriers and opportunities for growth</li> </ul>	<ul style="list-style-type: none"> <li>• Target was modified to 4 sectors/60 businesses in order to reallocate resources to BIA Profiles Project</li> <li>• Met with 56 CEOs of Vancouver companies through the Business First program; addressed 70 issues and requests for follow-up; prepared summary report of issues for the Board</li> <li>• Partnered with the provincial and federal governments on Business First interviews</li> <li>• All three levels of government use same web-based software and data platform</li> <li>• Summary of 2005 Business First interviews attached in VEDC 2005 Performance Report, prioritizing specific barriers</li> </ul>
<b>Business friendly environment - policy and recommendations</b>	
<b>Identify key issues affecting the business climate in Vancouver</b>	
<ul style="list-style-type: none"> <li>• Work through Business First, BIAs, and strategic industry partners to identify and communicate issues that impact the economic climate</li> <li>• Conduct opinion polling of key business leaders on key issues as appropriate</li> <li>• Make recommendations to Council and City staff to ensure strategies, policies, infrastructure, land use zoning, and a business friendly attitude support growth of key sectors</li> <li>• Identify new technologies that support sustainability and develop pilot project opportunities with the City</li> </ul>	<ul style="list-style-type: none"> <li>• Business First summary report completed, highlighting issues affecting interviewed companies; successfully worked with federal and provincial governments to resolve 70 specific business issues</li> <li>• Polling of businesses not conducted - Board of Trade initiated a program and felt VEDC would be duplicating efforts, instead initiated quarterly taxpayer polling program</li> <li>• Full analysis of the film sector's competitiveness completed and provided to the City; ongoing discussions with City staff and other organizations to address competitiveness issues</li> <li>• Early discussions with City's Office of Sustainability regarding economic opportunities for developing the environmental technologies sector and False Creek Flats</li> </ul>
<b>Business services and research</b>	
<b>Provide business assistance to existing and new business</b>	
<ul style="list-style-type: none"> <li>• Provide assistance to existing businesses through a network of community organizations and resources</li> <li>• Work with other organizations, such as BIAs, to identify small business needs and co-ordinate actions</li> <li>• Improve and maintain online small business resources</li> <li>• Maintain key comparative data on the website; 24-hour turnaround for all but most complex inquiries</li> <li>• Manage corporate site visits and trade delegations as appropriate</li> <li>• Develop and make available information about sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Assisted 207 small and mid-size firms over the last 6 months of 2005 (prior data not tracked); average monthly inquiries - 34</li> <li>• In partnership with the City's BIA office and the BIAs, raised \$55,000 to develop 16 market and business profiles for 8 BIAs at their request. VEDC is managing the project to ensure information is prepared, analyzed and presented by March 31, 2006</li> <li>• Developed new industry sector profiles for environmental technologies, biotech and film sector to assist business and investors in their decision-making</li> <li>• In partnership with City of Surrey and City of Richmond, completed Labor Market Analysis to detail</li> </ul>

	<p>market rates and human resource supply</p> <ul style="list-style-type: none"> <li>• Site visits and trade delegations managed and detailed under Business Attraction and Recruitment section of this report</li> </ul>
<b>Business attraction and recruitment</b>	
<b>Develop targeted prospect lists for one-on-one sales approach</b>	
<ul style="list-style-type: none"> <li>• Develop and lever partner network through DFAIT, Leading Edge, Provincial Ministry, consular and other sources to identify specific prospect companies in the Pacific North West for one-on-one sales calls: <ul style="list-style-type: none"> <li>- Schedule regular information meetings with lead organizations to develop referral system</li> <li>- Research prospect companies and ensure sustainability principles</li> <li>- Continue qualifying prospects and manage through our sales funnel</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Attended four major sales and marketing events, leading to 37 new prospects in VEDC sales funnel, managing 88 prospect companies in total; sales funnel relationships managed throughout the year</li> <li>• Developed relationships with Canadian consulates around the world to provide information on Vancouver's competitive advantages and foster business leads including France, UK, San Francisco, Dallas, Buffalo, Tokyo, Seoul, Seattle, Los Angeles, and San Diego</li> <li>• Hosted international delegations from China, Germany, Austria, Holland, Italy, England, Scotland, Ireland, Japan, France, Korea, US, and Mexico</li> <li>• Met with and developed relationships with the local foreign consulates to promote Vancouver's competitive advantages and businesses including France, Italy, Germany, Britain, and China</li> </ul>
<b>Develop strategic alliances to take advantage of specific marketing initiatives to support growth in targeted sectors</b>	
<ul style="list-style-type: none"> <li>• Support growth in key clusters</li> <li>• Partner with other organizations to implement sector specific projects to analyze key competitiveness issues</li> <li>• Work with Provincial government and regional economic development organizations to host sector-specific site visits to GVRD</li> <li>• Enhance marketing of the technology sector through strategic alliance with Leading Edge British Columbia</li> </ul>	<ul style="list-style-type: none"> <li>• In partnership with BC Film Commission, assessed relative costs of feature film production in Vancouver and issues affecting Vancouver's competitiveness</li> <li>• Provided support for Leading Edge marketing efforts where appropriate</li> </ul>
<b>Emphasize VEDC's service role</b>	
<ul style="list-style-type: none"> <li>• Leads and prospects generated through federal/provincial or other cooperative marketing activities will be referred to VEDC for location-specific service</li> </ul>	<ul style="list-style-type: none"> <li>• Worked closely with the provincial and federal government to support their attraction activities and provided fulfillment services</li> </ul>

**Goal #2 - Plan for the long term**

Planned Activities	Actual Result
<b>Prepare a plan to develop and fund a sustainable economic development strategy for Vancouver</b>	
<ul style="list-style-type: none"> <li>• Develop a project scope and process plan</li> <li>• Develop a budget and potential funding sources</li> </ul>	<ul style="list-style-type: none"> <li>• Planned first steps for developing an economic development strategy, modified in view of vacant staff positions; awaiting budget approval</li> <li>• Consultants assessed and identified target sectors where Vancouver is in a competitive position; report due April 2006</li> <li>• Preliminary assessment of existing information</li> </ul>

	<p>complete and information gaps identified for 2006</p> <ul style="list-style-type: none"> <li>• Meetings held with sustainability experts to define opportunities, barriers and process to develop a sustainable plan</li> </ul>
<ul style="list-style-type: none"> <li>• Identify current City policies, projects and studies with an economic development focus</li> <li>• SWOT analysis and key background reports - collect and consolidate existing economic and sector information</li> <li>• Identify relevant economic studies and analysis underway in 2005 by other organizations, including the City, and become actively involved</li> </ul>	Deferred to 2006
<ul style="list-style-type: none"> <li>• Conduct workshops with informed economic development stakeholders in the City</li> <li>• Focus on sector-based organizations and strategies</li> </ul>	Deferred to 2006
<ul style="list-style-type: none"> <li>• Present plan to Council and key City staff for agreement on the scope of plan and securing City commitment</li> </ul>	Deferred to 2006
<b>Develop 2010 strategy for VEDC</b>	
<ul style="list-style-type: none"> <li>• Work with the City, Vanoc, and BC Provincial Government to understand their strategies and define context for VEDC</li> <li>• Contact economic development organizations in other Olympic cities to understand how they capitalized on the Olympics</li> <li>• Develop a three-stage plan: Pre-2010 contact, Hosting 2010, and Post-2010 follow-up</li> </ul>	<ul style="list-style-type: none"> <li>• Volunteer committee was formed to develop 2010 plan to maximize economic benefits of hosting 2010 Games: plan covers Pre-2010, 2010 and Post-2010</li> <li>• Final plan presented to Board in fall 2005 and approved</li> <li>• Committee members attending Torino games scheduled to meet with economic development organizations in Torino and Milan</li> <li>• Activities incorporated into 2006-2008 business plan, and are subject to funding</li> </ul>
<b>Support regional economic development efforts</b>	
<ul style="list-style-type: none"> <li>• Identify and implement joint regional projects to demonstrate potential for success</li> <li>• Continue supporting Greater Vancouver Economic Leadership Council</li> <li>• Identify and communicate specific results achieved in GVRD to illustrate the advantages of a regional approach to economic development and how Vancouver benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Completed joint economic development project with other GVRD municipalities (Labor Market Analysis)</li> <li>• Continued to support GVEC and regional economic development dialog through GVRD quarterly meetings</li> <li>• Not undertaken</li> </ul>
<b>Ensure competitive film industry</b>	
<ul style="list-style-type: none"> <li>• Comparative assessment of key costs for a feature film; Vancouver to be compared to 3 other cities with vibrant film sector</li> </ul>	<ul style="list-style-type: none"> <li>• Completed a study to assess the competitiveness of Vancouver's film industry; provincial government extended industry tax-credits for industry; Vancouver Film office reviewing areas for increased filming support</li> <li>• Joint ongoing follow-up with key stakeholders involving BC Film Commission, VEDC and EMMPPI</li> </ul>

### **Goal #3: Build a strong organization and strategic relationships**

Planned Activities	Actual Result
<b>Build VEDC profile and credibility</b>	
<ul style="list-style-type: none"> <li>• Enhance communications with City Staff, Council, the Vancouver Planning Commission, stakeholders and the public                             <ul style="list-style-type: none"> <li>- Invite City staff to present at VEDC Board meetings</li> <li>- VEDC staff to meet with City department heads on a regular basis to exchange information and stay current on City priorities</li> </ul> </li> <li>• Enhance VEDC website content to increase awareness about Vancouver economy and better serve our client base</li> </ul>	<ul style="list-style-type: none"> <li>• Communications committee conducted a review of VEDC communications strategy and messaging</li> <li>• Increased interaction with City staff</li> <li>• Quarterly taxpayer polling on economic development issues and priorities</li> <li>• Monthly newsletter distributed to 1,000 subscribers</li> <li>• Revamped website and enhanced content - website visits averaged 200-400 visitors per day</li> <li>• Most downloaded pages in general: "Why Vancouver"; business associations list; small business info; quarterly analysis</li> <li>• Most downloaded pages in November and December: Film Industry Competitiveness Analysis; Labor Market Analysis</li> </ul>
<b>Build VEDC capacity</b>	
<ul style="list-style-type: none"> <li>• Identify organizational issues and develop strategies for change                             <ul style="list-style-type: none"> <li>- Multi-year city commitment</li> <li>- Board development</li> <li>- Staff attraction and retention</li> <li>- Increased and diversified funding</li> </ul> </li> <li>• Engage Commissioners in specific areas to increase organizational capacity</li> <li>• Renew committee structure and invite external volunteers to contribute</li> </ul>	<ul style="list-style-type: none"> <li>• Recommendations for organizational change submitted to the City</li> <li>• Funding model review completed</li> <li>• External monies raised in 2005: \$73,130 (providing an additional 12% to 2005 base budget, representing a leverage of 93 cents for every dollar of the non-overhead budget)</li> <li>• External monies approved in 2005 for projects to be completed in 2006: \$70,500 (providing an additional 9% to 2006 base budget and representing a leverage of 87 cents for every dollar of the non-overhead budget)</li> <li>• Restructured committees, leading to an organizational review; recommendations going forward to Council to enhance Board structure</li> <li>• Established new financial policies; reviewed staff attraction and retention; recommendations going forward</li> <li>• Revamped reporting structures and report design to enhance accountability and communicate results to the Board</li> </ul>
<b>Build on strategic relationships</b>	
<ul style="list-style-type: none"> <li>• Develop regular update meetings with key organizations to share information and exchange ideas</li> <li>• Participate in relevant regional, provincial and federal forums, conferences and events</li> <li>• Continue working with GVRD REDS to collaborate on economic development issues</li> <li>• Influence regional, provincial and federal policies and initiatives that affect economic development in Vancouver</li> <li>• Maintain provincial and federal ex-officio representation on VEDC Board</li> </ul>	<ul style="list-style-type: none"> <li>• 15 meetings held with key organizations to share information, and participate in joint projects</li> <li>• Attended forums/meetings on sustainability initiatives; WUF, YVR planning, and the Economic Development Association of BC</li> <li>• Attended quarterly REDS meetings</li> <li>• Engagement of government initiatives                             <ul style="list-style-type: none"> <li>- Involved in the Core Metro Jobs Study underway by the City</li> <li>- Developed close working relationship with the City's Sustainability Office</li> <li>- Member of the steering committee on the West Hastings Industrial Lands Study</li> <li>- City's BIA office member sits on VEDC's steering committee for the BIA Business Profiles Project</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>- City has three representatives on VEDC's steering committee for the industry Sector Targeting Analysis</li> </ul>
<p><b>Benchmark economic progress and Vancouver's competitive advantages in a global context</b></p>	
<ul style="list-style-type: none"> <li>• Provide quarterly economic indicator reports to Council and the public</li> <li>• Annual socio-economic summary report comparing Vancouver against competing cities</li> <li>• Maintain current comparative information relative to other key jurisdictions (including GVRD) through:             <ul style="list-style-type: none"> <li>- KPMG Competitive Alternatives Study</li> <li>- William M. Mercer</li> <li>- UN Studies</li> </ul> </li> <li>• Monitor best practice and economic development climate in key cities</li> <li>• Attend professional conferences and provide training opportunities for staff</li> </ul>	<ul style="list-style-type: none"> <li>• Economic indicator reports posted to website quarterly</li> <li>• Benchmarking report started at year end and will be complete by due March 2006</li> <li>• Data library expanded and maintained during the year including comparative information, economic statistics, and economic activity indicators</li> <li>• Several scans done of key cities to obtain information on funding, strategy development, sustainability goals, HR practices</li> <li>• Staff training included accounting and bookkeeping, statistical analysis, policy development, one major economic development conference</li> </ul>

## Appendix B - 2005 Financial Results (Unaudited): Management Reporting

	Budget 2005	Actual 2005	Budget-to-Actual Increase (Decrease)		Notes
<b>Funding from the City</b>	616,000	616,000	-	-	
<b>Operating Expenses</b>					
Salaries and benefits	432,000	412,296	(19,704)	(5%)	8
Office rent	50,000	54,122	4,122	8%	9
Professional fees	9,750	10,745	995	10%	
Research and information services	15,000	13,655	(1,345)	(9%)	
Office expenses	30,750	25,144	(5,606)	(18%)	10
Core activities Retention, attraction, promotion, and information services	78,500	69,766	(8,734)	(11%)	11
<b>Total Operating Expenses</b>	616,000	585,728	(30,272)	(5%)	
<b>EXCESS FUNDING OVER OPERATING EXPENSES</b>					
	-	30,272	(30,272)	-	
<b>Other Sources of Funding</b>					
External funding	56,100	73,130	17,030	30%	12
Interest income	-	2,692	2,692	-	
Draw from accumulated surplus	79,000	30,465	(48,535)	(61%)	13
<b>Total Other Sources of Funding</b>	135,100	106,287	(28,813)	(21%)	
<b>Special projects and Capital Expenditures</b>					
Special projects	121,100	94,814	(26,286)	(22%)	14
Capital expenditures	14,000	11,473	(2,527)	(18%)	15
<b>Total Special Projects and Capital Expenditures</b>	135,100	106,287	(28,813)	(21%)	

## Notes:

8. Lower salaries and benefits due to 2 staff positions vacant for 4 to 5 months
9. Office rent under-budgeted for \$5,000 to reflect a six-year lease commencing in May 2005; monthly payment includes rent and operating expenses (utilities, property tax, etc.)
10. Office expenses below budget due to lower than expected office supplies, telecommunications and bank charges
11. Core activities below budget due to 2 vacant staff positions for 4 to 5 months, resulting in ~\$8,000 less travel expenses for a number of planned conferences, trade shows, and sales events
12. Total external funding raised - \$143,630 (\$73,130 received in 2005, \$70,500 to be received in 2006); additional monies contributed by Western Diversification
13. Draw from accumulated surplus reduced due to more external funding and deferral of a portion of the sector targeting project to 2006
14. Special projects below budget due to deferral of a portion of the sector targeting project of ~\$25,000 to 2006
15. Capital expenditure below budget due to use of in-house IT expertise and improvised short-term fix to convert an existing computer to a tape backup system, resulting in \$3,800 savings; replacement of server deferred to 2006