

# Governance Review – Business Improvement Districts – Governance Structure

## ISSUE

The City of Saskatoon is reviewing the governance structures and processes for its Advisory Committees, Controlled Corporations, Business Improvement Districts (“BIDs”) and other agencies, boards and commissions. A series of reports have been tabled with City Council on Advisory Committees and Controlled Corporations. This report is the first in respect of BID governance and is intended to provide information and options in response to the question: What system of governance is needed to support the development of high performing BIDs in Saskatoon?

To provide insight into this question, this report:

- Provides information on current Saskatoon BID governance practices.
- Provides details of standard BID governance practices in comparable municipal jurisdictions.
- Identifies key BID governance considerations and areas of focus.

## BACKGROUND

### 2.1 History

At the February 13, 2017 meeting of the Governance and Priorities Committee (“GPC”), the Committee resolved:

"That the project parameters for the review of governance structures, models, practices and procedures of Advisory Committees, Controlled Corporations, Business Improvement Districts and any other agency, board or commission established by the City of Saskatoon be approved."

In Phase One of the governance review, the approved project parameters provided that the Leadership Team Governance Subcommittee (“Governance Subcommittee”) will provide recommendations respecting a general governance model for BIDs.

### 2.2 Current Status

The City Administration is continuing the process of reviewing, proposing options and making recommendations for potential improvements to the governance of the City of Saskatoon’s various Advisory Committees, Controlled Corporations, BIDs and other agencies, boards and commissions.

The focus of this report is to provide recommendations for a renewed BID governance structure to address current challenges and prepare for the future. The recommendations put forth in this report are intended to:

- Ensure alignment with existing legislation and current municipal bylaws and policies.
- Ensure that responsive, efficient and effective procedures and processes are in place.
- Ensure transparency and accountability to City Council, BID members and Saskatoon citizens.

### 2.3 Engagement

In preparing this report, the City Administration met with the representatives of each BID on March 7, 2019. The issues discussed were the current structure and functioning of each BID and Board. Appendix 1 contains a summary of the discussion that occurred on March 7, 2019.

In brief, the following are key factors or themes the BID representatives identified to consider as part of the governance review:

1. Balancing Governance Consistency and Flexibility

In general, the BIDs indicated that consistency around core governance elements and standardization regarding key procedural matters would be welcome. However, elements of flexibility, where appropriate, are also important to retain to ensure BIDs remain adaptable and responsive to the needs of their members.

Further research and assessment of potential areas of flexibility within a larger governance framework is underway. Initial areas of improvement may be to establish a range of board members that are required for BID governance, a minimum number of mandated meetings or streamlined meeting procedures that permit for a variety of participation options.

2. Considerations for Geographic Size and Revenue Generation Capacity

The BID model builds on the idea that pooling resources within a defined area can further improve opportunities for business owners to generate revenue and enhance their local economy. As the BID levy is the most significant source of funding for a BID, its geographic size and membership determines its capacity to generate such revenue. Because of this, board member representation, the ability to undertake programs and services, and the capacity to bring on staffing to do such programming while meeting mandated reporting requirements are all important considerations. Taking these factors into account and balancing

performance expectations against a BID's capacity to deliver on such is critical.

3. Enhanced Communication with the City

The BIDs indicated that enhancement of communication between the City and the BID organizations at the Council/BID board level as well as the BID staff/City staff level would be welcomed. When considering the importance of regular communication, both parties need to consider practical approaches. Further assessment of what is working well between the parties, as well as areas for improvement, will be undertaken.

**2.4 City of Saskatoon's Current Approach**

A BID is a group of property and business owners in the defined geographical area of each BID that collectively work to improve and promote the BID area as an appealing place to visit, shop and carry on business. The City of Saskatoon has recognized the economic and social value of BIDs and understands that they are vital partners in supporting the overall vision of Saskatoon as “a great place to live, work, learn and play”. This recognition is supported by the City's strategic plan and related commitments towards Economic Diversity & Prosperity, Sustainable Growth and Quality of Life. BIDs have been a part of Saskatoon's community governance system since 1986.

How BIDs function, along with the programs and services they deliver, is primarily guided by the following:

- *The Cities Act*;
- City of Saskatoon bylaws adopted to create and fund individual BIDs;
- City of Saskatoon policies;
- Day-to-day operating guidelines of each BID; and
- The needs and goals of the area and its members.

Legislative Authority

Section 25 of *The Cities Act* provides cities with the authority to establish BIDs by bylaw and stipulates what must be addressed in such a bylaw:

- The purpose for which the BID is being established.
- The geographical area that the BID will encompass.
- The appointment of a board to govern the BID. The board of a BID is a corporation.
- The manner in which the board will be required to develop and submit its budget to Council.
- Reporting requirements of the board to Council.
- Any limitations on the powers of the board, including power to incur debt.
- Any other matter as determined by Council.

Section 26 of *The Cities Act* provides Council with the authority to, by bylaw, impose a levy or charge on all property used or intended to be used for business purposes within a BID. This levy provides an opportunity for a BID to raise and use their own funds to enhance an area through marketing and promotion, neighbourhood improvements, safety initiatives or community events and activities. Initiated by a business community through a petition or application process, once approved by Council, there is no “opting out” of a BID – the underlying premise is that all members reap its benefits and so all must pay their share.

As required by *The Cities Act*, Saskatoon City Council, between 1986 and 2014, established five BIDs by bylaw:

- Broadway BID – *Bylaw 6731*.
- Downtown BID – *Bylaw 6710*.
- Riversdale BID – *Bylaw 7092*.
- Sutherland BID – *Bylaw 7891*.
- 33<sup>rd</sup> Street BID – *Bylaw 9235*.

Except for the boundary descriptions and accompanying map of each BID, Saskatoon’s BID bylaws are all similar and reflect the first bylaw that was drafted in 1986. This appears to be the first time that a governance review has been undertaken of the BIDs since their establishment.

In addition to providing the authority for cities to establish BIDs and impose levies, *The Cities Act* also, at subsection 55.1(5), requires all bodies established by Council to have publicly available written meeting procedures.

*The Cities Act* does not, however, require the creation of all governance procedures (e.g. board size, term and composition, appointment and duties of officers, methods of record-keeping and reporting); this is left to a city’s discretion.

#### Governance Structure

Each BID board is made up of volunteer board members comprised of property owners and tenants located within a BID’s geographical area. The BID boards oversee general operations including: BID staff, management of finances, contribution to strategic and/or business planning and supports organizational program and service delivery.

Currently, the City has specified some governance parameters for its BIDs within existing bylaws and policies. These governance parameters currently include:

- Board composition.
- Election and/or appointment of board officers.

- Remuneration.
- Meeting procedures.
- Record-keeping.
- Financial management, including budgetary and reporting requirements.

Some of Saskatoon's BIDs have created their own guiding policies, processes and procedures. For instance, the Broadway BID has created an internal governance policy that expands upon board roles and responsibilities (including committees of the board), its governing style and areas of board accountability (including Code of Conduct and Conflict of Interest guidelines). Their governance policy also outlines the expected duties of an Executive Director. The 33<sup>rd</sup> Street BID has created an internal expense policy as well as Confidentiality, Code of Ethics and Conflict of Interest policies. Together with their bylaws, these BID policies and procedures aid compliance with legislation and regulations, provide further guidance for decision-making as well as help structure day-to-day operations.

The City's role has been to assist with contacts between a BID and City Departments, facilitate the annual funding process, and monitor BID budgets through required financial reporting. Council representatives who sit on BID boards act in a liaison role, sharing information between the parties and are voting members.

Appendix 2 contains an overview of Saskatoon's current BID governance structure and practices.

## **2.5 Approaches in Other Jurisdictions**

Three levels of governance influence BIDs in Canada: the provincial/territorial ministry in which the enabling legislation is housed; the City Council; and the BID board. Inter-jurisdictional research indicates that BIDs demonstrate the following characteristics:

- Recognized by legislation.
- Created according to a process.
- Formed as an organization.
- Financed by a special assessment.
- Governed by a board.
- Managed by individuals.
- Reviewed periodically.

This general framework embraces the core concept of BIDs as publicly sanctioned and privately managed organizations. In essence, BIDs have become a management tool for municipalities and are a fundamental part of the governance system of many urban centres. To date, Saskatoon (like many other cities) largely has viewed good BID governance in

practical terms related to the efficient provision of local programs and services along with the demonstration of acceptable financial practices. However, there are many components that comprise good governance. An inter-provincial BID scan compared aspects such as: board size, term and composition; board member eligibility and appointment processes; meeting procedures; reporting requirements; and establishment/disestablishment methods. Appendix 3 contains an overview of Canadian BID governance practices.

The following themes were noted:

1. Governance Consolidation  
Cities such as Toronto, Winnipeg and Edmonton have taken a consolidated bylaw and/or policy approach to BID governance. Through the creation of a guiding document, core governance matters are detailed for all BIDs within a municipality. This creates a consistent approach, enhances clarity for all parties and provides important direction for all essential governance procedures and practices (e.g. board member appointments, meeting procedures, required reporting, records management and BID establishment/disestablishment processes).
2. Board Size, Term & Composition  
Designating BID board sizes, terms and composition is a standard practice. Not only does it ensure a board is comprised of a reasonable number of members with an appropriate mix of skills and experience, it also helps ensure adequate oversight, representation and accountability. Including a Council representative on a BID board provides a tangible connection to the municipality in which the BID resides, fosters information-sharing between the entities and reinforces accountability measures.
3. Focus on Strategic Alignment  
To support larger municipal goals, cities such as Toronto and Edmonton have mandated that BIDs are to develop strategic plans, in addition to their financial reporting requirements.

Plans to review its BID governance framework are underway in Calgary with the intention to enhance their BID/City interactions, better integrate economic and social goals as well as address accountability and the long-term sustainability of such organizations. However, in December 2018, a request to defer review of the Business Improvement Area Policy and Governance Framework was presented to allow provincial legislative changes to Alberta's *Municipal Government Act* that pertain to business improvement areas in Calgary to come into effect. We understand that the Government of Alberta has also communicated its intention to amend

*The Business Improvement Area Regulation.* As these legislative changes will have an impact on any business improvement area policy and framework at the municipal level, review has been deferred for the time being. The Governance Subcommittee will monitor any developments in Alberta.

## OPTIONS

This section of the report proposes three governance approaches for consideration: (a) consolidation; (b) independence; and (c) the status quo.

The options have been evaluated based on various governance criteria such as:

- Aligning with City objectives;
- Streamlining processes;
- Enhancing responsiveness; and
- Improving transparency and accountability.

### **Option 1 – Develop a Consolidated BID Governance Approach**

This option proposes to develop a consolidated approach that references essential BID governance practices and procedures and codifies these rules in a single comprehensive document or single BID bylaw. This approach could include the following:

- Clarity of purpose.
- Role and responsibility definition.
- Board size, term and composition.
- Board member eligibility and appointment processes (including board vacancies, replacements, or additions).
- Board committees.
- Board remuneration.
- Conflict of interest and code of conduct guidelines.
- Decision-making and meeting procedures.
- Membership structure and participation of members.
- Financial management.
- Record-keeping.
- Reporting/performance requirements.
- Dispute resolution solutions.
- Establishment, disestablishment, review and boundary alteration procedures.

This option would also allow for some flexibility within certain factors or processes to accommodate the uniqueness of each BID in terms of size, membership, BID area, etc.

Under this option, levy amounts would still be developed and approved on an annual basis. There are no financial implications associated with this option. Legal implications would include the creation of a comprehensive governing bylaw.

### **Advantages**

- Decreases risk of differing rules or application of rules among BIDs.
- Ensures appropriate legislative requirements are adhered to.
- Helps ensure information is identifiable and more easily accessible.
- Supports good governance principles of transparency, accountability and efficiency.

### **Disadvantages**

- Potential to fail to recognize unique nature of individual BIDs.

### **Option 2 – Review BID Governance Practices and Procedures but Maintain Separate Individual Approaches**

This option, as an alternative to a comprehensive scheme, would still see governance policies and practices reviewed and updated, but would see the individual BID bylaws amended to reflect any changes to the current practices. The contents of any changes would likely mirror those topics described above and intended for inclusion in a comprehensive governance document.

There are no financial implications associated with this option. However, bylaw amendments would be required to the existing BID bylaws.

### **Advantages**

- No significant advantage to this approach.

### **Disadvantages**

- Increases risk of differing rules or application of rules among BIDs.
- Piecemeal approach makes looking for information more cumbersome.

### **Option 3. – Maintain the Status Quo**

As an alternative to the other options, the status quo could be maintained. That is, the City's current approach to BID governance (as described in section 2 and Appendix 2) could continue without change. BID governance has remained in Saskatoon in its current state for many years. Maintaining the status quo fails to recognize the economic and social value of the BIDs and their overall contribution to the City.

There are no financial or legal implications of maintaining the status quo. Like Option 2, there is no significant advantage to this approach. The disadvantages as described in Option 2 are equally applicable to maintaining the status quo.



**RECOMMENDATION**

That the Governance and Priorities Committee recommend to City Council that:

1. The Leadership Team Governance Subcommittee proceed with developing a consolidated BID governance approach (Option 1).
2. The Leadership Team Governance Subcommittee report further on next steps and other details as required for implementation of the consolidated BID governance approach.
3. The report of the Leadership Team Governance Subcommittee – Governance Review – Business Improvement Districts (BIDs) be tabled and debated at the December 2019 meeting of the Governance and Priorities Committee.
4. This report be forwarded to the respective BID Boards and Executive Directors for an opportunity to review and provide comments prior to the December 2019 meeting of the Governance and Priorities Committee.

**RATIONALE**

Currently, each of the five BIDs are established by independent bylaw. The contents of the bylaws cover those elements mandated by *The Cities Act*, but little else. This has resulted in a system where rules and procedures vary between the BIDs and where clearly established processes are not easily identifiable and readily available. This affects not only the functioning of the BIDs, once established, but the overarching rules regarding establishment, disestablishment and boundary changes are likewise not codified in a single accessible place.

A consolidated BID governance approach is not only permitted by *The Cities Act*, but authorizing such a BID governance approach is also a common practice of other urban centres. A consolidated approach would ensure BID boards have consistent bylaws and/or policies that reference appropriate legislative requirements as well as their general purpose, roles and responsibilities, functions and performance requirements. The development of a consolidated governance approach allows for both governance and administrative effectiveness and efficiency.

While the BIDs may require flexibility in some areas to account for their unique attributes, a uniform process and standard set of governance rules in other areas, such as those noted in Option 1, would pose no impediment to the continued functioning of the BIDs. Further, the smaller BIDs, with less resources, have identified that a comprehensive governance approach would be welcome as this would facilitate a better understanding of the rules.

As provincial legislation determines how BIDs are to be established and structured, there is currently no opportunity to amend these areas. Council may, however, influence and impact a BID's purpose, efficiency, effectiveness and accountability by addressing governance and procedural elements within its related BID Bylaws and governance processes and procedures.

Specifics and recommendations as to the actual content of a comprehensive governance policy or bylaw would be the subject of further reporting and engagement with the BID boards and Executive Directors. However, the direction being sought in this report, and the recommendation being made, is to develop a comprehensive governance approach where the appropriate processes, procedures and rules are housed in a single document. Such approach would enhance clarity for all parties and provide essential direction for governance practices and procedures. Ultimately, this would serve to support good governance goals of responsiveness and transparency.

Continuous improvement is currently an essential focus of the City and opportunities to streamline processes and identify efficiencies are paramount. With these goals, in addition to the fundamental governance goals of responsiveness and transparency in mind, it makes little sense to undertake a comprehensive review of governance practices and procedures and maintain a piecemeal approach where looking for information would be cumbersome and, as time goes on, potentially result in varying practices. For this reason, Option 2 is not being recommended.

The City has traditionally recognized the economic and social value of its BIDs and understands that they are vital partners in supporting the overall vision that Saskatoon is “a great place to live, work, learn and play.” To help ensure Saskatoon's BIDs can continue to do so, the Governance Subcommittee intends to consider the following areas for the BID governance review in the context of a consolidated comprehensive approach:

1. Alignment of BID bylaws to legislation and related policy:
  - All BID-related bylaws and/or policies must be consistent with the legislated requirements outlined in *The Cities Act* as well as with any other relevant Act. By virtue of *The Cities Act*, the City is the only entity that is authorized to oversee the governance and operations of its BID boards of management. Council and Administration are to ensure BID boards have clear and consistent bylaws that reference the appropriate legislated requirements.
2. Enhanced clarity regarding governance roles and responsibilities for BID boards of management to ensure good governance practices and procedures:
  - As governance deals with the structures and processes by which an organization is directed, managed and held to account, good governance – best understood through factors like clarity, consistency and accountability – provides the means to help an organization define and achieve its goals. As public sector governance and management changes and becomes more complex, it is

important that the fundamentals of BID governance are responsive, transparent, efficient and effective.

3. Identification of improved BID procedures and processes to aid organizational efficiency and effectiveness.
4. Review of strategic vision and alignment:
  - Resource scarcity, heightened citizen expectations and keen public sector focus on accountability means that municipal governments are increasingly striving to align their boards of management to focus on areas of vital municipal interest.
  - Undertaking further research and discussion with the BIDs on how their vision and work can best align to the City's strategic priorities (e.g. through enhanced planning or refined reporting requirements) will strengthen the emphasis on outcomes that support the City's priority areas.
5. Review communication between the City and the BIDs and make recommendations for improvement of communication between the parties.
  - Such recommendations could include an increase in reporting requirements or opportunities between the BIDs and Council through its Standing Policy Committees or review of Administrative contacts between the BIDs and the Administration.
6. Appropriate means of ensuring BID performance and accountability:
  - Accountability is understanding who is accountable to whom, for what. When roles and outcomes are not clear, accountability becomes blurred. As municipal government must provide assurance that BID activities are carried out as intended and with due regard for good stewardship, defining clear roles and responsibilities, agreeing on performance expectations, balancing expectations with organizational capacities, requiring credible reporting and undertaking regular review processes become critical factors to exhibit. Currently, all BIDs are expected to adhere to annual budgetary and financial reporting requirements. However, within Administration's early research, it was noted that a periodic review/reauthorization process has been implemented as a standard practice for many BIDs in the United States and the United Kingdom; this process allows a municipality and a BID's membership to more fully review, assess and determine if continuation of a BID organization is desirable.
  - Transparency and accountability are important factors to uphold as BIDs help shape change in the public realm, spend public sector funds and impact local economies. Refining BID reporting and accountability mechanisms, such as through a periodic review process, not only furthers the legitimacy of a BID within a neighbourhood, it also seeks to secure continued consent for its operation while ensuring accountability to its members, elected representatives and citizens-at-large. Such a practice also creates a regular means to review financial (and other) reporting thresholds. In addition, ensuring BIDs are equipped with policies that address purchasing and HR matters will greatly enhance BID sustainability, accountability and performance management.

### **ADDITIONAL IMPLICATIONS/CONSIDERATIONS**

Bylaw and/or policy amendments will be necessary to ensure alignment with existing legislation and related municipal policies and procedures. A review of other pertinent legislative and policy areas remains underway.

Taking into account feedback provided by BID representatives, as well as any direction received from City Council, further findings and governance recommendations are to be expected via the Governance Subcommittee's further reporting on this matter.

### **COMMUNICATION ACTIVITIES**

Initial consultation with the BID representatives has taken place. Further engagement is anticipated. It is intended that this report be tabled until the December 2019 meeting of GPC. The Governance Subcommittee will offer to meet with each BID to get their feedback on the contents of the report. This feedback will be consolidated and brought back to the December 2019 meeting of GPC.

### **PUBLIC NOTICE**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

### **APPENDICES**

1. BID Engagement – March 7, 2019
2. Current Saskatoon BID Governance Practices
3. Canadian BID Governance Comparisons

#### Report Approval

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