

Report to Strategic Priorities and Policy Committee

To: Chair and Members Strategic Priorities and Policy Committee

From: Gregg Barrett, Director City Planning and City Planner,
Development & Compliance Services

Subject: London Small Business Centre – Board Governance
Structure Updates

Date: April 6th, 2021

Recommendation

That, on the recommendation of the Director, City Planning and City Planner, and as requested by the Small Business Centre, Municipal Council **APPOINT** 2 (two) representatives to the Small Business Centre for a special meeting (date to be determined) to undertake the actions required to amend the governance structure of the Small Business Centre, it being noted that the actions required are described in the correspondence from the Small Business Centre attached as APPENDIX A.

Executive Summary

1.0 Executive Summary

The City of London and the London Small Business Centre (SBC) have a long-standing relationship, first established in 1986, when letters patent and supplementary letters patent were filed to create the SBC. The City of London, along with other organizations, is an original member of the SBC as per the letters patent.

Recently, the SBC board directed a review of the SBC historical files. This review indicated that the SBC members passed a resolution consenting to changes to the governance structure on June 15, 2004, to remove the position of members. The origin of the issue as reported by the SBC:

The SBC membership “passed a resolution consenting to changes to the governance structure on June 15, 2004 to remove the position of members, among other things. These changes were purported to have been made via amendments to the bylaws of the SBC however we have been advised that the proper method to effect such a change is to file supplementary letters patent with the provincial Ministry”.

This report provides an overview of proposed corrective actions to properly remedy the SBC’s governance structure to reflect the current operations.

Linkage to the Corporate Strategic Plan

Council’s 2019-2023 Strategic Plan includes the Strategic Area of Focus ‘Growing our Economy’ and ‘Leading in Public Service. These areas included the expected results as per below:

Growing our Economy:

- London will develop a top quality workforce
- London is a leader in Ontario for attracting new jobs and investments
- London creates a supportive environment where entrepreneurs, businesses and talent can thrive

Leading in Public Service:

- The City of London is trusted, open, and accountable in service of our community

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

- Small Business Centre 2019-2023 Grant – May 6th, 2019

2.0 Discussion and Considerations

The London Community Small Business Centre is a non-for-profit organization created in 1986 and governed by a volunteer Board of Directors. The Small Business Centre (SBC) currently operates in partnership with the City of London and the Ontario government's Ministry of Economic Development, Job Creation and Trade (MEDJCT).

Belonging to a network of more than 50 Small Business Enterprise Centres operating across Ontario, and as a member of the Ontario Network of Entrepreneurs (ONE), the London SBC offers entrepreneurs a wealth of programs and services, including:

- Small business resources and information
- Free consultations with knowledgeable business advisors
- Assistance with business plan preparation and market research
- Seminars, workshops and networking events

Recently, the board of the Small Business Centre (SBC) directed a review of the organization's governing documents, namely the letters patent and supplementary letters patent filed in 1986. During this review, it was discovered that the current governance structure has drifted from that set out in the letters patent. Specifically:

1. City of London was originally entitled to appoint 2 'members' of the SBC out of a total membership not to exceed twenty (20) members; SBC members are entitled to vote for the SBC's board.
2. City of London's membership appointees were entitled to elect 1 director on the SBC's board of directors out of an original board size of no more than twelve (12) directors.
3. Since mid-2004, as a result of a membership resolution to change SBC's by-laws, the board of directors became self-perpetuating rather than elected by the membership appointees.

Proposed Corrective Actions

The board of the Small Business Centre (SBC) proposes the following steps to remedy SBC's governance structure, the immediate steps proposed are as follows:

1. *The SBC board intends to call a Special Meeting of members as originally set out in the letters patent.*
2. *The SBC board requests that the City of London appoint 2 representatives as SBC members for the Special Meeting.*
3. *Prior to the start of the Special Meeting, the current SBC board of directors shall resign their positions.*
4. *At the Special Meeting, members of the SBC shall elect a new slate of board directors consistent with the letters patent.*

The SBC board is also requesting that the membership *"pass a resolution ratifying past actions of SBC boards since 2004."*

In summary, the purpose of the appointment of two members by the City is to facilitate the correction. The special meeting is a one-time commitment for the 2 appointed members, not a renewed commitment to participation by means of members or directors.

Looking Ahead

The proposed corrective actions must be recognized as efforts to resume activities as they have operated since 2004, and have this board composition be seen as legitimate under the supplementary letters patent recognized by the provincial government of Ontario. It should be noted that the City does not wish to be involved in the governance of the SBC and supports the filing of supplementary letters patent to amend the letters patent to reflect the SBC's current governance structure as of 2004.

3.0 Financial Impact/Considerations

There will be no cost implications to the City of London to remedy the governance structure of the Small Business Centre as proposed in this report and by the SBC as indicated in their correspondence attached as APPENDIX A.

Conclusion

The long-standing relationship between the City of London and the Small Business Centre allows for a flexible and agile method of program delivery. The Small Business Centre aims to align where possible with Municipal Council's 2019-2023 Strategic Plan and to make progress towards the expected results, primarily in the section of 'Growing our Economy'. Following the request of the Small Business Centre board to remedy the governance structure will allow for the relationship to continue without interruption.

Prepared and Submitted by: **Chris Green, Manager, Economic Partnerships**
Cathy Parsons, Manager, Economic Partnerships

Recommended by: **Gregg Barrett, Director City Planning and City Planner, Development & Compliance Services**

cc. Lynne Livingstone, City Manager
 B. Card, City Solicitor
 Steve Pellarin, Executive Director, Small Business Centre
 Michael Sherlock, Chair, Board of Directors, Small Business Centre



London Small Business Centre
Unit 220 – 379 Dundas St
London, ON
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January 8, 2021

City of London
C/O Lynne Livingstone
City Manager
300 Dufferin Avenue
London, ON, N6B 1Z2

Re: **Action Required** – London Small Business Centre

Dear Lynne Livingstone,

As Chair of the board of directors of the London Small Business Centre (SBC), I am writing to inform you about a governance issue affecting the SBC that directly involves City of London.

Background and Key Issues

Recently, our board directed a review of our organization's governing documents, namely our letters patent and supplementary letters patent filed in 1986. During this review, we discovered that our current governance structure has drifted from that set out in the letters patent. Specifically:

1. City of London was originally entitled to appoint 2 'members' of the SBC out of a total membership not to exceed twenty (20) members; SBC members are entitled to vote for the SBC's board.
2. City of London's membership appointees were entitled to elect 1 directors on the SBC's board of directors out of an original board size of no more than twelve (12) directors.
3. Since mid-2004, as a result of a membership resolution to change SBC's by-laws, the board of directors became self-perpetuating rather than elected by the membership appointees.

Investigation

On discovery of this discrepancy, the board directed a search of the SBC's historical files. This review indicates that the SBC members passed a resolution consenting to changes to the governance structure on June 15, 2004 to remove the position of members, among other things. These changes were purported to have been made via amendments to the bylaws of the SBC however we have been advised that the proper method to effect such a change is to file supplementary letters patent with the provincial Ministry

of Government and Consumer Services. We have been further advised that this approach was invalid without a matching revision to the letters patent.

Proposed Corrective Actions – ACTION REQUIRED

We propose the following steps to remedy SBC's governance structure:

1. The SBC board intends to call a Special Meeting of members as originally set out in the letters patent.
2. We request City of London to appoint 2 representatives as SBC members for the Special Meeting.
3. Prior to the start of the Special Meeting, the current SBC board of directors shall resign their positions.
4. At the Special Meeting, members of the SBC shall elect a new slate of board directors consistent with the letters patent.

Depending upon City of London's desire to have continued involvement with the governance of the SBC, the membership may wish to pass a resolution, originally contemplated in June 2004, to approve the filing of supplementary letters patent to amend the letters patent to reflect the SBC's current governance structure. As successive SBC boards have operated under the changes purported to be made in the June 2004 resolution, the SBC board is also requesting that the membership pass a resolution ratifying past actions of SBC boards since 2004.

Timing and Follow-up

As this issue bears directly upon the validity of actions taken by the SBC's board, the currently constituted board is resolved to lead corrective action quickly.

We intend to follow up with you upon receipt of this letter to further coordinate next steps and address any questions you may have. We recognize that City of London is a complex organization and that the COVID-19 pandemic has introduced additional challenges in bringing stakeholders together. Nevertheless, we ask for your prompt assistance to the SBC as the SBC board moves to rectify this governance issue.

We want to thank you in advance for your help, which will empower the SBC to continue to promote entrepreneurialism and support small businesses in the London area.

Sincerely,



Michael Sherlock
Chair, Board of Directors
London Small Business Centre