

# Municipal Entrepreneurialism in Rural Canada



2023

Final Report

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## Availability of Reports

Copies of the report may be accessed through:

Greg Halseth, Canada Research Chair in Rural and Small Town Studies, University of Northern British Columbia: <http://www.unbc.ca/greg-halseth/canada-research-chair-in-rural-and-small-town-studies>.

Sean Markey, Professor, Resource and Environmental Management, Simon Fraser University: <https://www.sfu.ca/rem/people/profiles/markey.html>.

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## Project Reports

- Impacts of Municipal Reform on Small Municipalities Across Canada: Phase 1 Final Report
- Entrepreneurial Local Governments in Canada: Innovating for Rural Resilience: Phase 1 Final Report
- Entrepreneurial Local Governments in Canada: Innovating for Rural Resilience – Phase 1 Case Study Report

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# Municipal Entrepreneurialism in Rural Canada

## FINAL REPORT

### 1.0 INTRODUCTION TO MUNICIPAL ENTREPRENEURIALISM

Local government reform has accelerated since the early 1980s, with municipalities learning to adjust to changes in local government responsibilities as they cope with the socio-economic restructuring pressures that are challenging the viability and sustainability of small communities. However, local governments struggle with outdated financial and jurisdictional structures even as senior governments ask them to become more ‘entrepreneurial’ for a broader range of responsibilities and approach to operations (Grant and Dollery 2010; Tennberg et al. 2014). The future resilience of small municipalities and their communities may depend upon entrepreneurial strategies to support independence, resilience, and new pathways to economic renewal (Dannestam 2008; Skelcher 2017). For the purposes of our research, municipal entrepreneurialism refers to investments in innovative processes, regulatory actions, and/or actual enterprise development to provide services or leverage economic conditions to generate new revenues or establish new streams of income to the local government. These actions only become entrepreneurial when there is a level of ‘risk-taking’ and ‘leveraging’ that requires a change or shift in how municipalities operate, with a greater emphasis on research, strategic hiring, deployment of entrepreneurial or business skills, and risk management.

The goal of the research is to learn more about how fiscal, public policy, and legislative frameworks may be impacting municipal entrepreneurialism. The lessons learned will help to inform broader structural and policy changes that are needed within local and senior levels of government. This research was carried out as a part of a 3-year project spearheaded by the University of Northern British Columbia in collaboration with researchers from Simon Fraser University, the University of Lethbridge, the University of Guelph, and Memorial University.

This research highlights the strategies, relationships, policies, and assets that are leveraged to stimulate debates at the municipal, provincial, and federal government levels about the opportunities and constraints for municipal entrepreneurialism. As demonstrated through the breadth of strategies that are used in our case study report, there is no single model or set of municipal tools to address the pressures that are impacting municipal operations. The context of each municipality will shape the capacity, options, and potential structures of municipal

enterprises, policies, and assets that are leveraged to address community and economic development.

## 1.1 The Purpose of this Study

This research builds upon Phase One that examined the impacts of municipal reforms on small municipalities. Local governments continue to struggle with outdated financial and jurisdictional structures even as senior governments ask them to become more creative, innovative, and ‘entrepreneurial’ in their responsibilities and approach to operations. Building upon the experiences in British Columbia, Alberta, and Newfoundland and Labrador, Phase Two of this project explores how small municipalities are responding to these changes through entrepreneurial approaches to community and economic development. The goal is to obtain a better understanding of the changes needed to strengthen the capacities, resources, policies, and statutory environments to support these endeavors. The research methodology consisted of literature reviews, analysis of census and local government statistics, and interviews with key informants.

In 2022, key informant interviews were conducted with 30 stakeholders engaged in municipal government and municipal entrepreneurial initiatives in 6 case studies to obtain a better understanding of the issues impacting municipal entrepreneurialism in rural Canada (Table 1). This included conversations with CAOs, EDOs, municipal enterprise management, board members of municipal enterprises, and elected municipal representatives.

Table 1: Case Study Locations

<b>Municipality</b>	<b>Type of Municipal Entrepreneurial Initiative</b>	<b>Name of Municipal Entrepreneurial Initiative</b>	<b>Sector of Municipal Entrepreneurial Initiative</b>
<b>British Columbia</b>			
Burns Lake	Municipal enterprise	Burns Lake Community Forest	Forestry
Dawson Creek	Public-private partnership	Dawson Creek Water Reclamation Project	Water
<b>Alberta</b>			
Canmore	Social enterprise	Canmore Community Housing Corporation	Housing
Forestburg	Municipal enterprise	Forestburg Gas Network	Oil and gas
<b>Newfoundland and Labrador</b>			
Bonavista	Social enterprise	Bonavista Townscape Foundation	Real estate
Grand Falls-Windsor	Social enterprise	EXCITE Corporation	Health and IT

This final report presents the key findings from this research. Our findings are structured in three parts, including: 1) planning and development, 2) risk management, and 3) policy changes

to better position small municipalities to engage in municipal entrepreneurial initiatives. The recommendations listed in each section come from the local stakeholders interviewed in our six case study communities.



## 2.0 PLANNING AND DEVELOPMENT

In this section, we explore issues related to the planning and development of entrepreneurial initiatives to provide insights into the capacities and needs of small municipalities. These issues focus on:

- mandate and vision,
- human resources,
- access to research and information,
- proactive planning timelines,
- access to capital,
- networks,
- built capital,
- land,
- governance,
- municipal contributions and commitments,
- municipal borrowing and debt limits,
- strategies for use and distribution of revenues, and
- understanding industry needs.

## 2.1 Mandate and Vision

As the mandate and vision guiding municipal entrepreneurial initiatives are developed, small municipalities can become distracted by broader, popular initiatives that do not reflect the needs and capacities within the municipality. Municipalities should be aware that when distractions divert limited resources away from the strategic focus of municipal entrepreneurial initiatives, it can produce financial and operational risks that may undermine the stability and resiliency of those endeavors.

### Recommendations for Municipalities

- Base municipal entrepreneurial initiatives on a broader vision for the community that uses local strengths and assets.
- Initiatives should resonate with the interests / aspirations of residents.

### Recommendations for Municipal Enterprises

- Stay focused on strategic directions, not distracted by popular initiatives that do not reflect the assets and capacities of municipalities.
- Ensure organizational structures and processes are in place to guide on-going evaluation and adjustment of operations to ensure municipal entrepreneurial activities are meeting the mandate and strategic goals of these initiatives.

### Recommendations for Provincial Government

- Create a platform to provide opportunities for sharing best practices and lessons learned through municipal entrepreneurial initiatives.

## 2.2 Human Resources

Small municipalities can struggle to have the human resources needed to support the development of municipal entrepreneurial initiatives, such as municipal enterprises or P3 partnerships, while meeting ongoing municipal responsibilities. Municipal staff may fear taking risks or they may be more focused on regulating activities identified within provincial municipal legislation. Municipal staff may find it difficult to work through obstacles during the early development stages of municipal enterprises. These issues are exacerbated by challenges with succession planning and attracting administrative staff to smaller municipalities. Momentum for municipal entrepreneurial initiatives can also be interrupted by budget cuts and turnover amongst economic development departments in small municipalities.

Despite having an executive director in place, the challenge for small municipal enterprises is that there are few other employed staff to support these operations. In rural regions, small municipal enterprises may also experience difficulties to attract new professionals and fill gaps left following retirements. These challenges are exacerbated by the limited availability of courses about municipal enterprises, in general, and limited educational opportunities to learn about management tools and mechanisms tied to specific types of municipal enterprises. Based on these observations, several principles and recommendations should be considered to ensure appropriate human resources are in place to support these endeavors.

### Recommendations for Municipalities

- Strategically hire personnel who understand municipal enterprises or who have entrepreneurial skills.
- Access legal advice and financial advisors to guide the development of municipal enterprises.
- Obtain a legal template to understand the responsibilities of the municipality and other potential partners to develop these initiatives.
- Invest in liaison staff personnel to strengthen communication between the municipality and the arm's length municipal enterprise.
- Clearly identify which staff may provide a supportive role to municipal enterprise operations.

### Recommendations for Municipal Enterprises

- Ensure there are sufficient staff resources for sales, marketing, and developing relationships with industry and Indigenous stakeholders.
- Provide support to train, hire, and renew staff capacity.
- Invest in equipment and technology to support training and develop other opportunities to generate revenue by renting out training equipment to other businesses.
- Post-secondary institutions need to play a larger role to support the capacity development guiding different types of municipal enterprises in rural regions.
- Deliver municipal enterprise workshops, open houses, and other events.
- Use strategic professional networks to obtain information, research, and advice to understand the risks and best practices associated with municipal entrepreneurial initiatives.

As small municipalities consider opportunities to develop municipal enterprises and other municipal entrepreneurial initiatives, elected municipal officials and senior administration should be aware that these endeavors will have workload implications for municipal staff. Continuous investments in capacity renewal will be the key to strengthening development, resiliency, and risk management. Smaller municipalities should also be aware of the potential risks that may emerge from having insufficient human resources to support municipal entrepreneurial endeavors. As such, municipalities will need to ensure municipal enterprise staff are properly resourced, especially during the early stages of development. As more expertise is acquired through experience, these initiatives will be able to operate more efficiently.

## 2.3 Access to Research and Information

Municipalities should not perceive research activities as expenses, but rather as investments to support good evidence-based decision making for risk-taking initiatives. Investments in research and information led to new opportunities and partnerships to expand services and economic development. Research has also been used to support strategic investment decisions in community assets. Small municipalities will need to be mindful, however, of ensuring such research encompasses the costs for maintaining and preserving assets that may be pursued through municipal entrepreneurial initiatives. Municipal stakeholders were able to obtain most of the required expertise, research, and information to support sector-based knowledge guiding municipal

entrepreneurial initiatives within the region. Industry partners, for example, were strategically selected due to their high-level technical expertise within an economic sector. The missing piece concerned information about best practices to inform the development and operations and municipal enterprises. As small municipalities gain experience with developing a municipal enterprise or P3 partnership, they may gain a clear understanding of the processes and regulations that must be worked through to establish other entrepreneurial initiatives.

### Recommendations for Provincial Government

- Develop a central focal point to access best practices and lessons learned from those who have engaged in various municipal entrepreneurial initiatives.
- Develop a central repository to provide information about the expertise and resources needed to support decision-making processes in municipal enterprises and P3 partnerships.

### Recommendations for Municipalities

- Ensure research and development work is well defined with clear objectives and strategic goals to support entrepreneurial work.
- Ensure a complete inventory of assets has been completed.

## 2.4 Planning Timelines

Small municipalities in this study emphasized the need to adopt proactive planning timelines to support the development of municipal enterprises. For those who wish to pursue a new municipal enterprise, it will be important to understand that it takes time to develop a new industry. Communities should not wait until industry closures have occurred to proactively plan and mobilize new municipal entrepreneurial initiatives.

### Recommendations for Municipalities

- Allocate sufficient timelines to prepare presentations for different organizations and community stakeholders.
- Allocate sufficient timelines to support the development of different collaborations and partnerships.
- Allocate sufficient timelines to develop strategies and business plans.
- Allocate sufficient timelines to acquire financial capital (i.e. private sector funding, grants, foundations, etc.).
- Allocate sufficient timelines to support the construction or restoration of built capital assets that support municipal entrepreneurial endeavors.

## 2.5 Access to Capital

Obtaining capital to support the early stages of development of municipal enterprises can be difficult. Municipalities accessed capital through provincial and federal funding agencies, industry capital contributions, municipal reserves and financing from the Municipal Finance Authority to meet their financial commitments for these municipal entrepreneurial initiatives. While capital costs are discussed to support project development, there can be limited consideration for how operating costs will be financed. Over time, capital and operating reserves have been developed to address needs and responsibilities of municipal enterprises and P3 partnership development. Small municipalities will need to be mindful that if municipal enterprise activities are not sufficiently funded, their momentum and activities will not be sustained.

### Recommendation for Municipal Enterprises

- Develop capital and operating reserves to address the ongoing responsibilities for managing operations and assets related to municipal enterprises and P3 partnerships.

### Recommendation for Municipalities

- Developing an arm's length non-profit governance structure will allow the municipal social enterprise to obtain federal and provincial grants that are not accessible to municipalities outside of cost-sharing agreements.

## 2.6 Networks

During the early stages of development, networks can be instrumental to obtain necessary advice, capital investment, in-kind support, and business opportunities for municipal social enterprises. Municipal staff drew upon networks with non-profit organizations, colleges, and private interests within their communities, as well as networks with universities, and provincial and federal government departments and organizations. Municipal staff also attended national and international conferences to seek information and advice about developing new sectors and to recruit tenants for building assets. Without these networks, small municipalities would not be positioned to advance their goals and initiatives at a faster pace.

### Recommendation for Municipalities

- Allocate sufficient staff support and time to develop and maintain extensive networks that can be drawn upon when needed.



## 2.7 Built Capital

All of our case studies own building assets to support their entrepreneurial endeavors. Building assets may be designed to provide flexible, partitioned spaces to lease space to potential tenants. These assets may be equipped with common spaces, including a central entrance, reception area, a kitchen area, and washrooms. Investments have also been made in new equipment and technology with collaborative partners to

support training, recruitment of professionals, and distance learning. The development of affordable housing or renovation of heritage assets has also helped to advance the recruitment and retention of new businesses and residents. As small municipalities move forward with municipal entrepreneurial initiatives, they will need to carefully consider where they can invest most efficiently and effectively to achieve positive results and returns on their investments.

### Recommendations for Municipalities

- Look at existing assets to support municipal entrepreneurial initiatives.
- Ensure built assets reflect the identity of the community and promote a sense of belonging for residents.
- Ensure a proper building inspection is completed on the acquisition of any building assets to understand any potential risks and liabilities.

## 2.8 Land

Municipal stakeholders in this study talked about challenges to access private land or purchase Crown land to support municipal enterprise investments in the community. Land development costs can also be exacerbated by flood mitigation work. Municipalities should be aware that limited availability of land, ecological sensitivity, and high land market values may increase the financial risks for municipal enterprises.

### Recommendations for Municipalities

- Allocate sufficient resources to support master planning and infrastructure investments for servicing land.
- Explore ways to strategically use urban reserve land to support investments related to municipal enterprise objectives.

## 2.9 Governance

Municipal stakeholders highlighted several issues that unfolded during the development and use of governance structures for municipal enterprises. As these governance structures are developed and used over time, challenges can emerge when there is an insufficient understanding of the limited powers of municipal shareholders for arm's length municipal enterprises. Such municipal powers may be limited to the appointment of community-at-large board members or to organize the annual general meeting. An independent board will oversee all matters pertaining to the operations of the municipal enterprise.

There were challenges managing the roles and workloads of board members. Some individuals, for example, may be motivated by personal interests to join a board without understanding conflict of interest protocols. Board members may become too involved in the day-to-day operations of municipal enterprises rather than focusing on strategic development. This can eventually lead to burnout. Board burnout can lead to a loss of institutional memory to guide strategic development and policy decisions. In smaller municipalities, however, it can be difficult to attract new board members with expertise sought to guide strategic planning and development at the board level (e.g. project development, financing, etc.).

As municipal enterprises operate at arm's length, there can be a lack of synergy between municipal and municipal enterprise goals and interests. Municipal enterprises can become susceptible to

### Recommendations for Municipalities

- Invest time and resources to develop appropriate governance structures guiding the development and operations of municipal entrepreneurial initiatives.
- Include broad community representation on boards to strengthen support and legitimacy.
- Newly elected municipal officials need an orientation about municipal enterprises and the limits of shareholder responsibilities.

### Recommendations for Municipal Enterprises

- Monitor board mandates and workloads.
- Board members need an orientation about the mandate of the municipal enterprise, the statutory environment governing municipal enterprises, and their responsibilities as board members.
- Ensure protocols are in place to address any conflict of interests between municipal leadership and municipal enterprises.
- Ensure plans are in place to determine responsibilities and settle assets if a municipal enterprise is ever closed.
- Use the governance structures of municipal enterprises to support reconciliation and more collaborative relationships with Indigenous people to pursue economic development.
- Reflect on the capacities and resources that Indigenous communities may have to support their engagement.
- Ensure all board members and staff are aware of the UNDRIP and the principles of Free, Prior, and Informed Consent.
- Invest in staff resources to develop trust and share responsibilities with Indigenous communities.

### Recommendation for Provincial Government

- Need more provincial guidance about how to define and use principles of Free, Prior, and Informed Consent when working with Indigenous people in

disagreements with elected officials with respect to policies and strategic decisions. The stability of governance structures can be jeopardized when elected municipal officials, partners, and municipal enterprise staff do not share the same political or social views.

Furthermore, through appropriate governance arrangements, municipal entrepreneurialism has been used as an opportunity to support reconciliation with Indigenous people by using the principles identified through the UNDRIP. The challenge for municipal enterprises is that few people understand how to define and pursue these principles in practice. Municipal-Indigenous relationships can also be challenged due to changes with leadership at the Indigenous, municipal government, and municipal enterprise level.

Municipalities should be aware that municipal enterprise governance models are not always transferrable across different municipalities. As municipalities develop their own governance structures for municipal enterprises, there is a need to understand each component (e.g. ownership structure, operational structure, governance structure) and what makes those components successful under specific community conditions.

## 2.10 Municipal Contributions or Commitments

Small municipalities can provide invaluable financial and in-kind contributions to support the development of municipal enterprises and P3 partnerships. This can take the form of hard costs and in-kind costs for corporate legal fees to understand risks and liabilities, financial and staff support to develop feasibility studies and business plans, grant writing support, start-up capital from municipal reserves, financial reporting and administrative support, operating grants, office and meeting room space, building maintenance, long distance calls, photocopying, staff time, and consultation. For municipal stakeholders we spoke with, however, these were their first experiences with municipal entrepreneurialism. There was a limited understanding during the early stages of development about the full range of potential contributions or commitments that may be required to support these endeavors. Municipal stakeholders will also need to be aware that potential contributions or commitments may be required not only during the development stages, but also for a period of time during early stages of operation until the municipal enterprise generates sufficient revenues to become self-sufficient. In the case of P3 partnerships, there may also be ongoing commitments to manage and maintain assets. Municipal stakeholders review municipal budgets to assess their capacity to sustain contributions during the early stages of development and during operations for municipal enterprises. Financial contributions or commitments have varied and have been impacted by the stage of development of the municipal enterprise.

### Recommendations for Provincial Government

- Develop a provincial best practices guide that contains information about the potential hard costs and in-kind commitments that may be required to support municipal enterprises and P3 partnerships.

### Recommendations for Municipalities

- Develop a clear identification of how municipalities will support the municipal enterprise during development (e.g. start-up capital, administrative support, staff time, land, space, etc.).
- Adopt clear processes to guide any financial contributions to municipal enterprises / social enterprises.
- Assess the capacity of the municipality to sustain these commitments for a specified period of time.

## 2.11 Municipal Borrowing and Debt Limits

During the early stages of development, there were concerns that municipal financial contributions to municipal enterprises may impact the municipality's borrowing limits. Small municipalities will need to seek clarity about municipal borrowing regulations within the municipal legislation of their respective provincial jurisdiction.

### Recommendation for Municipal Enterprises

- Develop capital and operating reserves in order to eliminate the need for municipal contributions / commitments and related impacts on municipal borrowing and debt limits.

## 2.12 Strategies for Use / Distribution of Revenue

Municipal entrepreneurial endeavors have strengthened the resiliency of municipal revenues and operations. These funds may be leveraged as matching funds to obtain senior government grants, to support community groups, to support studies or plans, or they may directly be used for infrastructure projects. Small municipalities, however, may not always have strategies in place to use revenues generated through municipal enterprises and strategic policy initiatives to support transformative change. Revenue from municipal enterprises, for example, may be allocated to general revenues. Due to the arm's length governance structure of a municipal enterprise, a municipality does not have control or influence over the municipal enterprise's strategic decisions, and may result in a lack of synergy between the two entities. The result can be missed opportunities to strategically and wisely use new revenue to meet community goals and aspirations. Where possible, there should be efforts to coordinate complementary strategies for the use and distribution of revenue used by both the municipality and the municipal enterprise that are linked to strategic planning and development processes. It is equally important to ensure some revenues are used to develop reserves to protect the long-term viability of municipal enterprises. Small municipalities, however, will need to be mindful that revenues are market driven and can fluctuate substantially. Small municipalities will also need to maintain realistic expectations about the capital that may be accumulated through such dividends. These funds may still need to be leveraged to acquire sufficient fiscal resources to support transformative projects within the community.

### Recommendations for Municipal Enterprises

- Revenues need to be used to develop appropriate capital, operating, and other special initiative reserves in order to ensure the long-term viability of municipal enterprises.
- Revenues need to be used to eliminate debt and reduce financial risks for municipal enterprises and municipalities.

### Recommendations for Municipalities

- Develop a formal investment strategy for revenues generated from municipal enterprises and P3 partnership assets.
- Organize strategic planning meetings between municipal government leadership and municipal enterprises to explore opportunities to develop synergies for long-term community investments.
- Use a portion of the dividends to develop a legacy fund.

## 2.13 Understanding Industry Needs

Municipalities and private sector stakeholders can have different responsibilities and goals that shape how they engage with municipal enterprises and P3 partnerships. Municipalities are focused on investments that will improve the quality of life for residents. Private sector interests, by comparison, are focused on investments that generate a higher rate of return or benefits for shareholders or business owners. Municipalities and private sector stakeholders may also have different timelines that shape how, or if, they engage in P3 partnerships. Small municipalities should be aware, for example, that if P3 partnership projects are delayed due to lengthy grant application and review processes, private investors may move their capital elsewhere.

### Recommendations for Municipalities

- Meet with industry to understand their investment timelines that may shape their engagement P3 partnership and municipal enterprises.
- Meet with industry to understand their specific quality standards that may shape P3 partnership infrastructure projects.



### 3.0 RISK MANAGEMENT

Rural-based economies can be more volatile as they are subject to highly fluctuating global demands for their commodities; thereby, shaping potential risks that can affect the resiliency and competitiveness of municipal entrepreneurial initiatives. Municipalities will need to improve their capacity and agility in response to changing conditions surrounding their municipal entrepreneurial endeavors. Such capacities may be shaped by staff expertise and municipal resources, as well as by the complexity of the municipal entrepreneurial endeavor. Municipalities must also consider the risks to municipal operations, infrastructure, and community economic development if such entrepreneurial initiatives are not pursued. This section draws upon the experiences of municipal stakeholders across rural Canada to explore some of the risk management issues that needed to be addressed as a part of municipal entrepreneurial endeavors, including managing:

- construction risks,
- environmental risks,
- competitive risks,
- financial risks,
- legal risks,
- operational risks and liabilities,
- partnership risks,
- political risks, and
- public expectations.

### 3.1 Construction Risks

Small municipal enterprises can encounter several risks during the construction and renovation of complex infrastructure projects. There are risks with acquiring building assets that may have older heating systems, roofs, windows, and other structural components that can substantially increase renovation and operating costs. There can be complex sets of skills, designs, and levels of expertise due to the breadth of professionals involved. This may include challenges to meet building code standards that may conflict with other development guidelines (i.e. heritage guidelines).

Municipal entrepreneurial initiatives will also need to carefully manage supply chain risks that can impact construction and operations. Close proximity to regional supply centres can be beneficial to mitigate such risks through quick access to equipment and supplies. Supply chain pressures, however, have been exacerbated by the COVID-19 pandemic. As

small municipalities move forward with investments in built capital assets, they will need to carefully review all relevant provincial regulations pertaining to building construction and renovations. As provincial and federal levels of government seek ways to reduce carbon emissions, there may be changes to the building codes that will impact training, development processes, and costs for small municipalities.

#### Recommendations for Municipal Enterprises

- Ensure renovations match the building code.
- Ensure staff are up-to-date on changes to the building code.
- Develop alternative plans to access temporary alternative equipment until specified equipment can be obtained.
- Complete a careful analysis of the structural issues of potential building assets in order to understand future renovation costs before acquiring the building.

#### Recommendations for Municipalities

- Develop a broad network of construction and project management professionals that can be drawn upon at a local, regional, provincial, national, or even international level.
- Regularly review and assess the need to adjust components of complex construction projects.

### 3.2 Environmental Risks

As municipal entrepreneurial initiatives draw upon their place-based assets for development, there are several environmental risks that must be managed. These can range from forest fires to flooding and even droughts that impact municipal infrastructure and the viability of municipal entrepreneurial initiatives. Regulations and legislation guiding the management of environmental risks, however, can vary depending on the type of municipal enterprise. Municipal stakeholders should be aware that there will be a need to adjust to evolving changes in environmental regulations that may impact the planning and operations of these endeavors. Municipalities may need to adhere to permit, testing, and routine monitoring requirements from the provincial ministry responsible for the environment. In response, small municipalities tend to have limited staff and fiscal resources to assess and monitor environmental risks.

#### Recommendations for Municipal Enterprises / P3 Partnerships

- Ensure responsibilities to monitor environmental risks are assigned appropriately to staff or board members.
- Explore opportunities to scale-up and work through larger collaborative networks to assess and monitor environmental risks.
- Understand environmental permitting and regulatory requirements from provincial ministries that may shape ongoing testing, monitoring, and operational plans.

### 3.3 Competitive Risks

Small municipal enterprises can encounter considerable competition in newly emerging sectors across Canada, the US, and beyond. This has particularly been the case in the development of the high technology sector and knowledge-based economies. It will be important for small municipalities to reflect on these potential risks as they may impact the financial and liability risks of municipal enterprise operations.

#### Recommendations for Municipalities

- Manage public expectations as new sectors may take time to develop a competitive capacity.
- Identify key place-based advantages to develop new sectors (i.e. supply of electricity, high speed Internet, heritage assets).

### 3.4 Financial Risks

There can be financial risks associated with substantial financial investments during the early stages of development and ongoing operations for a municipal enterprise or P3 partnership. It can be difficult to attract other stakeholders (e.g. Indigenous partners, government partners, private sector / industry, universities, etc.) to such endeavors due to unknown liabilities. Community forests were new in British Columbia. The knowledge-based economy was just emerging as these small municipalities confronted broader economic restructuring pressures. Changing market and economic conditions, staff turnover, limited institutional memory, and limited tracking of financial spending and related statements can exacerbate the potential for these risks. There were financial risks due to inaccurate costing of a complex, innovative infrastructure project. Risk management protocols should be in place prior to pursuing any municipal entrepreneurial endeavor.

Municipal enterprise revenues can also be volatile due to recessions, fluctuations in commodity prices, poor exchange rates for the Canadian dollar, pest epidemics, international trade disputes and related tariffs, changes in access to resources, natural disasters, and the COVID-19 pandemic. These pressures can exacerbate limited revenues during the early years of development. Small municipal stakeholders will need to be mindful that any failure to address contingency plans for financial risks can undermine the long-term viability and stability and municipal enterprise operations to achieve community and economic development goals.

As these small municipalities experienced several socio-economic pressures, however, participants considered both the financial risks associated with municipal entrepreneurial initiatives and the financial risks of not undertaking these actions. For some, inaction could eventually lead to more financial risks for municipal operations, continued deterioration of municipal revenues, and instability for the community.

#### Recommendations for Municipalities

- Pursue P3 partnerships for complex projects to reduce the financial risks for small municipalities.

#### Recommendations for Municipal Enterprises

- Explore options to pursue capital projects that generate short-term debt to balance overall financial risks (i.e. home ownership developments).
- Identify if rising construction costs are associated with issue missed in RFP process, contractor error, or unexpected technical issues.
- Develop capital and operating reserves to address the ongoing responsibilities for managing operations and assets related to municipal enterprises and P3 partnerships.
- Prioritize eliminating the mortgage of building assets.
- Develop a series of contingency plans as a part of a comprehensive risk management strategy.
- Revise or alter the scope of projects to respond to escalating cost pressures.

### 3.5 Legal Risks

Municipalities must carefully assess any legal risks or potential liabilities prior to pursuing any municipal entrepreneurial initiatives (e.g. municipal enterprises, P3 partnerships, etc.). P3 partners may also be concerned about their own potential liabilities and exposures if the municipality is unable to deliver specific requirements contained in P3 partnership agreements.

#### Recommendations for Municipalities

- Seek legal counsel prior to engaging in municipal enterprises and P3 partnerships to assess and understand the liabilities or potential exposures for the municipality.

### 3.6 Operational Risks and Liabilities

Managing operational risks and liabilities can be difficult for smaller municipalities and municipal enterprises. Operational risks can be most serious during the early stages of development when operations and revenues have not become fully viable or reached their full potential. Stakeholders who are exploring opportunities to develop a municipal enterprise or P3 partnership will need to be aware of the need to complete a management plan, address legislative requirements, obtain relevant permits, and more before being in a position to generate revenue. Operational risks can also evolve when the mandate of municipal enterprises becomes too diverse, engaged in initiatives beyond their capacity, and removed from its core focus or strength. More recently, the COVID-19 pandemic also introduced new operational risks for municipal enterprises that leased space as more people chose to work from home rather than spaces within municipal enterprise buildings. This transition was facilitated by improved high speed Internet and technology software.

Newly elected municipal officials and new municipal staff may also lack a clear understanding about municipal enterprises and related articles of incorporation. As such, the operations of municipal enterprises can be undermined by competing actions of municipal enterprise staff and municipal elected officials. Municipal enterprise staff can be confused if they are answering to both the elected council and the board of directors. Furthermore, public debates about bringing

#### Recommendations for Municipalities

- Provide an orientation to new staff and council members about municipal enterprises.

#### Recommendations for Municipal Enterprises

- Build operational and liability reserves to cover risks, contracts, and other commitments impacted by unexpected events or changes in market conditions.
- Ensure liability reserves are in place to address the legal requirements and costs of decommissioning any assets or aspects of operations.
- Engage in long-term strategic planning for operations and managing assets.
- Hire a financial auditor to complete an operational assessment to examine the needs and viability of operations.
- Ensure there are sufficient resources to sustain organizational operations and general tasks such as communication, financial reporting, marketing, maintaining relationships.
- Invest in the ownership of building assets to bring long-term stability to operations.
- Ensure restructuring decision-making processes are supported by adequate research about the feasibility of new directions.
- Explore opportunities to leverage building assets to generate additional revenue to support growth by renting out space to other businesses and organizations.
- Explore opportunities to diversify tenants in other complementary sectors to create effective hubs or clusters.
- Ensure appropriate tenant agreements are in place.
- Ensure conflict protocols are in place.

municipal enterprises back in-house can lead to confusion and destabilize operations. Moving forward, municipalities should be aware that a continuous effort will be needed to renew an understanding about municipal entrepreneurial initiatives.



### 3.7 Partnership Risks

Partnerships help to ensure municipal entrepreneurial initiatives are achieving tangible outcomes for community and economic development. Municipal enterprises and P3 partnerships have drawn upon several partnerships to support research, innovation, training, and infrastructure to improve the quality of life of local residents. These partnerships have also been instrumental to recruit and retain professionals, new business owners, and residents to these communities. However, partners are experiencing challenges that are undermining their capacity to fulfill their partnership roles with municipal enterprises. These include, for example, challenges to recruit staff to sustain training and programs. Partnerships can be jeopardized when staff or board members fail to adhere to the original vision and principles for maintaining relationships with partners in a municipal enterprise or P3 partnership. These pressures must be carefully monitored by the municipal stakeholders to reinforce the importance of these relationships. At times, changes to staff or board members may be needed to retain the integrity of these partnerships. As small municipalities move forward, however, they will need to ensure partnerships extend beyond verbal agreements of support by affirming what each partner will bring to the collaboration, what each partner hopes to achieve, and how collaborative actions will reflect broader community and economic development goals.

#### Recommendations for Municipal Enterprises

- Provide staff and board members with an orientation about the original vision and principles guiding the long-term viability of governance processes and partnership relationships.
- Carefully vet the capacity of potential partners.
- Assess how partners will add value to community infrastructure and amenities, jobs, and recruitment and retention of residents.
- Monitor the ongoing staff capacity of partners to sustain partnership activities.
- Adopt a consensus building decision-making process to strengthen partnerships.
- Have senior leadership meetings to resolve any tensions, identify common goals and desired outcomes, discuss contributions and commitments, resolve ownership structures, and discuss any liability concerns.

### 3.8 Political Risks

Political support for municipal entrepreneurial initiatives can change following municipal elections. Some elected councils, for example, may also be more risk averse to supporting municipal enterprises or P3 partnership investments. Each elected council may have different opinions about the ownership structure of the municipal enterprise and how revenues should be spent. Such political risks, however, can undermine the stability and long-term viability of municipal entrepreneurial initiatives. Municipal governments are not permitted to make decisions for arm's length municipal enterprises that are governed by an independent board of directors. Such measures are in place to reduce the potential for conflict of interest or

inappropriate political influence for personal gain. Some stakeholders we spoke with found it difficult to manage political risks. There can be a lack of political support for municipal enterprises due to perceived competition with private sector businesses. Elected municipal officials may wish to exert more control over municipal enterprises. Under these conditions, the municipality may act to exert control in a number of ways, including 1) requiring the municipal enterprise staff to report to both the board and the municipality's senior staff; 2) having senior municipal staff step in to provide direction from council; 3) organizing shareholder meetings to identify strategic directions for the municipal enterprise; 4) committing the municipal enterprise to actions identified in municipal public documents and plans without consultation; and 5) appointing new board members that share political and strategic views with council. Control may also be exerted through terms and conditions contained within funding agreements or land donations.

#### Recommendations for Municipalities

- Conflict of interest and governance protocols need to be developed to mitigate political risks for municipal enterprises.
- Build a comprehensive business case to demonstrate the need and long-term commitments of initiatives.
- Provide newly elected councils with an orientation about the goals and intentions driving municipal enterprises and municipal incentive policies.
- Council needs information about proper protocols guiding working relationships between the municipality and arm's length municipal enterprises.
- Demonstrate how municipal enterprises are addressing issues not pursued by private sector investments.

### 3.9 Public Expectations

During the early stages of development, there can be challenges to manage public expectations about community benefits from municipal enterprises and P3 partnerships. Private sector interests can be concerned about any potential impacts on, and loss of, business. There may also be concerns about how taxpayer revenues used in P3 partnerships may be used to benefit industry. Municipalities will also need to manage their own financial motivations for developing a municipal enterprise to generate revenue for infrastructure or transformative projects against public expectations for those revenues to be used for other purposes. Residents may not wish to see revenues invested in essential physical infrastructure. Instead, residents may wish to see revenues from municipal enterprises invested in quality-of-life amenities. On the other hand, municipal entrepreneurial endeavors can also encounter NIMBYism, stemming from concerns about the impact of municipal enterprise investments that may affect green spaces or other quality-of-life assets.

#### Recommendations for Municipalities

- Provide a clear justification for the development of municipal enterprises and municipal tax incentive policies.
- Information about public benefits from municipal enterprises and P3 partnerships needs to be clearly communicated.
- Allocate sufficient resources to support public consultation processes to ensure strategic directions are grounded in the local aspirations, needs, and assets.
- Demonstrate how municipal enterprise projects are not being addressed by private sector interests.
- Communicate realistic expectations about what may be achieved through the scale of revenue generated through municipal enterprises.

#### Recommendations for Municipal Enterprises

- Purchase supplies from local businesses to support municipal enterprises to broaden community benefits.
- Develop transparent governance and communication processes to facilitate communication and manage public expectations.

Moving forward, municipalities will need to ensure people understand the scale of municipal enterprise operations to maintain realistic expectations of what may be achieved from the revenue generated. People also need to understand that the availability of profits from municipal enterprises to support community donations or other investments is market driven. Small municipalities will also need to be mindful that public support for municipal enterprises can change when property taxes are increased. This potential challenge reinforces the need to demonstrate the value of wise investments in municipal enterprises to address community and economic development goals.

## 4.0 POLICY CHANGES TO BETTER POSITION MUNICIPALITIES

Senior government policies are impacting innovative and entrepreneurial municipal strategies in a number of ways. In this section, we explore issues related to policy and legislative processes that are not only impacting access to capital, but are also undermining the clarity of statutory environments that shape the capacity and potential structures of municipal enterprises, policies, and assets that are then leveraged to address community and economic development. In this section, a number of policy changes needed to better position small municipalities to pursue and operate more sustainable municipal entrepreneurial endeavors are discussed, including:

- building provincial staff capacity,
- building rural economic development capacity,
- supporting intermunicipal collaboration,
- improving access to capital,
- policies impacting municipal borrowing and debt limits, and
- policies and legislation shaping the development and governance of municipal entrepreneurial initiatives.

## 4.1 Provincial Capacity

Municipalities have become entrepreneurial more quickly than their provincial counterparts. In particular, municipal stakeholders felt there was a lack of provincial staff expertise and capacity to provide advice on the statutory environment and related processes guiding the development and operations of municipal enterprises. Provincial staff lacked clarity and expertise to provide advice about how municipal enterprises impact municipal debt servicing limits. There is a need to build the capacity of provincial staff to support provincial policies that encourage municipal governments to be more entrepreneurial.

### Recommendations for Provincial Government

- Strategically hire and train provincial staff to provide effective guidance and support as municipalities pursue entrepreneurial initiatives.
- A greater range of provincial ministries need information and training about P3 partnerships to provide guidance, checklists for approval processes, and support to municipalities.
- Provincial staff in rural regions need to better understand their statutory decision-making powers to support municipal enterprises to achieve objectives in their management plans and strategies.

## 4.2 Economic Development Capacity

Municipal and provincial policies have not been effective enough to build the economic development capacity for small municipalities. First, there are concerns that small municipalities struggle to hire trained and qualified economic development officers due to limited access to appropriate certification programs. Second, there has been limited routine interaction between provincial regional economic development offices and small municipalities. These issues are exacerbated by turnover within these positions. At the same time, there seems to be a disconnect between the investments made through provincial economic development offices and strategies developed for rural regions. Small municipalities will need to be mindful, though, that such changes in their economic development capacity will need to be accompanied by bottom-up investments and debates to guide strategic planning. Small municipalities can no longer wait for provincial resources to take the lead on rural renewal.

### Recommendations for Municipal Associations

- Ensure better access to certification programs for economic development officers.

### Recommendations for Provincial Governments

- Ensure more routine interaction between provincial government economic development officers and small municipalities.
- Ensure there are stronger synergies between provincial investments made through economic development offices and regional strategies developed by municipal stakeholders.
- Strengthen funding for regional economic development planning and collaboration.

### 4.3 Intermunicipal Collaboration

When municipalities work collaboratively at a regional level, they can have a stronger voice and combine their resources to support innovative solutions to complex problems. Municipal stakeholders in this study, however, felt that small municipalities lack resources to engage in regional collaboration. Limited capacity for regional collaboration has been exacerbated by high workloads and impacted related to the COVID-19 pandemic. As municipalities engage in inter-municipal collaboration, they should be aware that such efforts can be derailed by different access to revenue sources, imbalanced partnerships, and unbalanced benefits across communities invested in these relationships.

#### Recommendation for Provincial Governments

- Need more adequate provincial funding to support regional collaboration and development of inter-municipal partnership agreements.

## 4.4 Access to Capital

The development and operations of municipal enterprises and P3 partnerships can be impeded by limited and untimely access to capital. For example, the timelines and eligibility criteria of provincial and federal grants can be impediments to P3 partnerships. The grant review process can take several months and even up to a couple of years until grant applications are reviewed and approved, resulting in the potential loss of industry partners.

Municipalities also lack an understanding about how they can leverage their municipal funds to support arm's length municipal social enterprises. Municipal funds are considered to be government funds, and thus cannot be used as matching funding for grant applications to support municipal social enterprises.

Provincial and federal grant programs can also have restrictive criteria. They may have a narrow focus of what may qualify as economic development. Most notably, investments in quality-of-life amenities, physical infrastructure, or heritage assets may not be perceived as economic development; although, these components are critical to create the conditions to attract capital investment and to support the attraction and retention of residents. Resolving investment challenges for municipal social enterprises will be important to create new entities that can access broader funding sources to address community and economic development priorities; thereby, freeing up municipal revenues for other needs.

Challenges accessing capital are also exacerbated by confusion about the opportunities for, and conditions under which, municipal enterprises can access capital at lower rates through provincial municipal finance authorities. People we spoke with found it difficult to obtain information from provincial staff about how municipal enterprises can access capital. If municipal enterprises are unable to obtain capital through municipal borrowing with the provincial municipal finance authorities, these corporations must seek this capital through the private sector with market rates. Private sector financial institutions, however, can perceive small municipalities to be high-risk environments due to their boom and bust economies. For municipal social enterprises, higher market borrowing rates for capital can make investments in community projects unaffordable.

### Recommendations for Provincial Governments

- Need greater clarity within legislation about how municipal for-profit enterprises and municipal social enterprises can access capital.
- Need more flexible criteria for projects that may qualify for economic development grants.
- More information is needed about how municipalities may access capital through P3 partnerships within provincial statutory frameworks.
- A more streamlined grant process needs to be developed to empower municipalities to enter P3 partnerships in a timely manner with private sector stakeholders.



## 4.5 Provincial Policies and Legislation

There is a lack of clear provincial regulations and processes guiding the development of municipal enterprises. Most notably, there was a limited understanding of how the legislative framework associated with the municipal acts in these provincial jurisdictions empowers municipalities to pursue municipal entrepreneurial initiatives. There is a lack of clarity about how municipal enterprises should be established and operated through incorporation, governance, and decision-making structures. There is also confusion about how specific types of municipal enterprises (e.g. in-house vs. arm's length municipal enterprises; for-profit municipal enterprises vs. municipal social enterprises) are distinguished and regulated differently within the statutory environment and different forms of legislation. This leaves municipal stakeholders to learn by trial and error as they work through the early stages of development for these initiatives. Small municipalities will also need to ensure they have a clear understanding of the legislation requirements and regulatory processes that will impact their venture. In addition to the provincial municipal act, business corporation acts and other forms of legislation may shape ventures in specific economic or resource sectors.

### Recommendations for Provincial Governments

- Need clear provincial policies to guide the development and operations of for-profit municipal enterprises, as well as municipal social enterprises.
- Develop a one-stop information portal to provide information about the different legislative acts and regulatory processes that must be explored during the development of municipal enterprises versus municipal social enterprises.
- Develop a series of tools and checklists to assist municipalities to work through regulatory requirements.
- Provincial policies need to clearly identify the limits of shareholder powers in the decision-making processes of in-house versus arm's length municipal enterprises.
- Deliver workshops about how legislation and regulatory processes shape the development and operations of municipal enterprises at municipal conventions.

## 4.6 Municipal Borrowing and Debt Limits

Municipal stakeholders we spoke with felt that there is confusion about how municipal enterprises impact municipal borrowing and debt limits. This confusion is exacerbated by a lack of clarity provided by provincial staff who may provide advice about how municipal enterprises impact municipal debt servicing limits. When municipal enterprises are owned by the municipality, their financial statements are often consolidated with municipal audited financial statements. The result is that the municipal enterprise debt becomes part of the municipal government debt and is factored into debt servicing limits. Furthermore, municipalities are required to be a guarantor for municipal corporations seeking private sector funding, resulting in additional implications for municipal debt servicing levels. Provincial stakeholders should be aware that a lack of clarity about the relationship between municipal enterprises and municipal borrowing and debt limits will generate unanswered questions about the potential financial risks that may be associated with municipal entrepreneurialism and impede a broader uptake of these initiatives.

### Recommendations for Provincial Governments

- Need greater clarity about how municipal enterprises or municipal social enterprises impact municipal borrowing rates and debt limits.
- Need to change municipal legislation to provide exemptions for municipal enterprise / social enterprise debts from municipal debt servicing limits.

## 4.7 Reporting

Reporting processes are an important component of risk management. New innovative infrastructure projects, however, may be more scrutinized by provincial governments through reporting processes.

As small municipalities pursue municipal enterprise and P3 partnerships, municipal stakeholders will need to be mindful of

reporting requirements and ensure such tasks can be seamlessly incorporated into components of municipal reporting. Small municipal enterprises with limited staff capacity can struggle to meet reporting requirements. This pressure can be exacerbated by the different reporting periods used by municipal enterprises; thereby, complicating the process to produce consolidated financial statements with municipal governments. Municipalities will also need to be aware of additional accounting costs that may be incurred for producing consolidated financial statements for municipal enterprises and municipal governments.

### Recommendations

- Ensure provincial reporting requirements are not beyond the capacity of small municipalities.
- Ensure provincial reporting requirements reflect the smaller scale of municipal ventures.

## 5.0 CONCLUSION

As rural regions across Canada continue to experience rapid change and restructuring, small municipal governments are pursuing more entrepreneurial initiatives to obtain the resources necessary to chart new pathways to strengthen community resilience. Small municipalities are cautious, however, about the pressures that are driving them to be more entrepreneurial. With mounting fiscal pressures and expanding responsibilities, there continues to be interest in grant programs tailored to the needs of small municipalities to reduce the pressure for small municipalities with limited staff and fiscal capacity to pursue municipal enterprises or P3 partnerships.

For small municipalities that choose to pursue initiatives such as municipal enterprises or P3 partnerships, there is a need to focus on creating the conditions that will improve the capacity, readiness, and competitiveness of these endeavors. The institutional infrastructure available (i.e. economic development and business management experience, research and information management, IT supports, space, etc.) to support municipal entrepreneurialism in these small municipalities, however, can vary considerably. There will need to be a shift in how small municipalities operate, with a greater emphasis on research, strategic hiring, entrepreneurial skills, and risk management. A strategic plan will need to be in place to guide the reinvestment of municipal enterprise revenues to address community development and economic development priorities that are based on planning and place-based assets. More importantly, municipal enterprise strategies and P3 partnerships need to be coordinated with broader municipal strategies that are designed to support transformative change in these small communities.

Even with these changes in small communities, more effective provincial policies, legislation, and supports will be needed to better position small municipalities to pursue these opportunities. Provincial legislation provides municipalities with natural person powers to 'empower' municipalities to pursue a number of entrepreneurial initiatives and partnerships. They have done so, however, by creating municipal legislation that has typically prescribed municipalities to be risk averse. The lack of clarity within these statutory municipal frameworks governing municipal entrepreneurial endeavors has made it more complex to clearly understand what is possible. Restrictive statutory or legislative frameworks also limit the borrowing options for municipal enterprises and P3 partnerships. As municipalities are encouraged to be more collaborative, innovative, and entrepreneurial, provincial governments will need to provide more outreach, training, logistical, and legislative support for small municipalities.

This research has presented information on a number of key topics and issues that the research team hopes will stimulate debates at the municipal, provincial, and federal government levels about the opportunities and constraints for municipal entrepreneurialism to support rural resiliency. Such changes will better equip and position small municipalities to be agile and responsive to the challenges and opportunities associated with rural change.

## APPENDIX A: METHODOLOGY

Building upon the experiences in British Columbia, Alberta, and Newfoundland and Labrador, this project explores issues related to the development and operations of municipal entrepreneurial initiatives in small municipalities in order to obtain a better understanding of the changes needed to strengthen the capacities, resources, policies, and statutory environments to support these endeavors. The research methodology consisted of literature reviews, analysis of census and local government statistics, and interviews with key informants.

### *Context of Case Studies*

Phase Two case studies were drawn from the those included in Phase One of this project and were selected based upon an extensive literature review of local government entrepreneurial strategies unfolding in small municipalities. A total of 6 case studies in three regions were included (Table 2). Drawing upon Statistics Canada data from the 2021 census period, participating municipalities in this study ranged from a population of 807 to 15,990. These case studies have pursued a range of municipal enterprises, social enterprises, and P3 partnerships in many sectors, including forestry, water infrastructure, housing, oil and gas, real estate, IT, and health care (Table 3).

**Table 2: Selected Case Studies**

<b>Case Studies</b>	<b>Population (2021)</b>
<b>British Columbia</b>	
Burns Lake	1,659
Dawson Creek	12,323
<b>Alberta</b>	
Canmore	15,990
Forestburg	807
<b>Newfoundland and Labrador</b>	
Bonavista	3,190
Grand Falls-Windsor	13,853

Source: Statistics Canada 2021.

**Table 3: Type of Municipal Entrepreneurial Initiative**

<b>Case Studies</b>	<b>Type of Initiative</b>
<b>British Columbia</b>	
Burns Lake	Community forest
Dawson Creek	Water reclamation
<b>Alberta</b>	
Canmore	Affordable housing
Forestburg	Oil and gas pipeline
<b>Newfoundland and Labrador</b>	
Bonavista	Heritage property restoration
Grand Falls-Windsor	IT and innovative health care

This has produced some important caveats for our research stemming from selection bias and convenience sampling and the potential impacts this may have on the external validity of the issues emerging from key informant interviews (Reed et al. 2003). By drawing upon a range of case studies in these regions across Canada, however, we hope that a more comprehensive understanding of municipal entrepreneurial strategies can be provided for small municipalities in Canada.

#### *Key Informant Interviews*

In 2022, key informant interviews were conducted with 30 stakeholders engaged in municipal government and municipal entrepreneurial initiatives in 6 case studies to obtain a better understanding of the issues impacting the development and operations of municipal entrepreneurialism in rural Canada. This included conversations with CAOs, EDOs, municipal enterprise management, board members of municipal enterprises, and elected municipal representatives. A general breakdown of interview participants by region is shown in Table 4.

**Table 4: Interview Respondents**

<b>Region</b>	<b>Number of Respondents</b>	<b>% of Respondents</b>
British Columbia	12	40.0
Alberta	8	26.7
Newfoundland and Labrador	10	33.3
Total	30	

Source: LGE Project 2022.

### *Ethics Review Protocol*

Our research is bound by protocols across all of the participating universities on our research team, including the University of Northern British Columbia, Simon Fraser University, University of Lethbridge, University of Guelph, and Memorial University. A key component to our research protocols is to provide research participants with a copy of the consent form (Appendix B) that outlines the purpose of the study, how the research process will protect their anonymity and confidentiality, and that their participation is voluntary.

### *Interview Questions*

The purpose of this project is to explore issues related to the development and operations of municipal entrepreneurial approaches to community and economic development. This research also explores broader structural and policy related changes needed to better support innovative and entrepreneurial approaches adopted by local governments in these settings. This report assembles a summary of key issues that emerged from our interviews. Questions were asked to explore:

- The significant socio-economic pressures that prompted the municipality to pursue municipal entrepreneurial initiatives,
- The factors and risks that shaped the development of municipal enterprises and P3 partnerships,
- The municipal commitments and negotiated agreements that were put in place to support the development of these endeavors,
- The governance structure and staffing capacity of these municipal entrepreneurial endeavors,
- Any adjustments that were made to the operations and structures of these initiatives,
- How provincial and federal policies, legislation, and programs have impacted the ability of small municipalities to pursue more innovative and entrepreneurial approaches to addressing community and economic priorities,
- The strategies that have been put in place to guide the use and distribution of any revenues generated from municipal entrepreneurial activities, and
- The changes that are needed to better position small municipalities to leverage more opportunities for innovative and entrepreneurial strategies that strengthen municipal and community resilience in these settings (see also Appendix C).

Following each interview, notes were provided to each participant for review. Latent and manifest content analysis was completed to identify, code, and categorize patterns and themes that emerged from open-ended questions.

## APPENDIX B: CONSENT FORM





## Entrepreneurialism and Rural / Small Town Local Government

### **Research Lead:**

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<http://www.unbc.ca/community-development-institute>

**Purpose** – Local government reform has accelerated since the early 1980s. However, local governments continue to struggle with outdated financial and jurisdictional structures even as senior governments ask them to become more creative, innovative, and ‘entrepreneurial’ in their responsibilities and approach to operations. Looking at the experiences in British Columbia, Alberta, Ontario, and Newfoundland, this project explores how local government reforms are unfolding in rural and small town communities across Canada, as well as how local governments are responding to these changes through innovative or entrepreneurial approaches to community and economic development. This research will also explore broader structural and policy related changes needed to better support the innovative and entrepreneurial approaches adopted by local governments in these settings.

**How Respondents Were Chosen** - The interview participants were contacted through publically available contact lists of local government and provincial staff. Interview participants were selected for their potential to provide information that can help to better understand community change and transition, local government reforms by provincial policies, as well as innovative and entrepreneurial approaches being pursued by local governments to support local community or economic development.

**Anonymity and Confidentiality** - The names of participants will not be used in any reporting, nor will any information which may be used to identify individuals. In our discussions, you will be speaking to us based on your personal experiences and expertise, and not as a representative of your employer. All information shared in this interview will be held within

strict confidence by the researchers. All electronic data will be managed, encrypted, and securely stored on password protected computers and will be accessible only to the research team. Our research team consists of:

Greg Halseth (UNBC),  
Laura Ryser (UNBC – [laura.ryser@unbc.ca](mailto:laura.ryser@unbc.ca)),  
Sean Markey (Simon Fraser University – [spmarkey@sfu.ca](mailto:spmarkey@sfu.ca)),  
Lars Hallstrom (University of Lethbridge – [lars.hallstrom@uleth.ca](mailto:lars.hallstrom@uleth.ca)),  
Ryan Gibson (University of Guelph – [gibsonr@uoguelph.ca](mailto:gibsonr@uoguelph.ca)), and  
Kelly Vodden (Memorial University – [kvodden@grenfell.mun.ca](mailto:kvodden@grenfell.mun.ca)).

The information will be kept until the final project report is complete. After which time, shredding and file erasure will destroy all information related to the interview.

**Potential Risks and Benefits** - This project has been assessed by our university research ethics process. The project team does not consider there to be any risks to participation. We hope that by participating you will have a chance to share your experiences and provide input into issues relevant to policies shaping ongoing local government reforms, and its impacts on local government operations.

**Voluntary Participation** - Participation in the interview is entirely voluntary and, as such, interviewees may choose not to participate. Interviewees may choose not to answer any questions that make them uncomfortable, and they have the right to end their participation in the interview at any time and have all the information they provided withdrawn from the study and destroyed. The interview will be audio recorded and a summary of key themes will be created.

The summary of key themes from the interview will be sent to the interviewee through an encrypted, password protected file, and they will have two weeks to provide any edits or corrections back to the research team. The purpose of this edit/correction review process is to provide an opportunity to check on the accuracy and clarity of the information that will go into the analysis. The end of this two-week edit/correction review period also marks the last date at which participants may revoke their participation consent and have their information removed from the study.

The interview should take about 45 minutes to complete. Typical edit/correction reading time for the short summary of key themes that will be sent to the interviewee is about 20 minutes.

**Research Results** - The final project report will be distributed to all participants via email. The results from this research will also be published in academic research journals.

Questions – In case of any questions that may arise from this research, please feel free to contact Dr. Greg Halseth (250-960-5826; [greg.halseth@unbc.ca](mailto:greg.halseth@unbc.ca)) in the Department of Geography, Earth, and Environment Sciences at UNBC.

**Complaints** – Any complaints about this project should be directed to the Office of Research, UNBC (250) 960-6735, or email: reb@unbc.ca.

**I have read the above description of the study and I understand the conditions of my participation. My signature indicates that I agree to participate in this study.**

---

(Name -please print)

(Signature)

(Date)

APPENDIX C: INTERVIEW GUIDE

## Municipal Entrepreneurialism: Phase II

### Interview Guide: Municipal Leaders and Staff

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Participant Name:

Contact Information:

Interviewer:

Date:

Interview Time: Start: \_\_\_\_\_ Finish: \_\_\_\_\_

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Notes:

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#### Background

In this research, we wanted to explore some issues that shaped the development and operations of municipal initiatives to generate revenue, or to leverage research, infrastructure, P3 partnerships, or policies in order to attract investment that would address community priorities.

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#### Section A: Early Development Stages

The part of our discussion will explore the background and early development stages of municipal entrepreneurial initiatives

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In [Community XXX], what pressures prompted the municipality to pursue new initiatives?

What problems did the municipality hope the [municipal entrepreneurial initiative ZZZ] would solve?

How did you find out about this pathway as an option?

What factors were considered to develop these [initiatives ZZZ]?

*Prompt: in-house vs. arm's length enterprise, community representation, access to capital, access to natural resources, appropriate expertise / personnel, negotiated contributions, capacity of partners, built assets, etc.*

What types of commitments did the municipality have to have in place to support these [municipal entrepreneurial initiatives ZZZ]?

*Prompt: capital, budget resources to cover changes in tax revenue, staff time, land / space, etc.*

Did the municipality develop any agreements to guide the roles and contributions of stakeholders associated with these [initiatives ZZZ]?

*Prompt: Memorandum of Understanding, contracts, purchase / lease / tenure agreements.*

How are these [initiatives ZZZ] managed by the municipality?

*Prompt: CAO / staff, board of directors, separate corporate structure, etc.*

Were there any changes to the operations / structures of the municipality to support the development and operations of these [initiatives ZZZ]?

*Prompt: risk management, new department, new staff, governance arrangements (i.e. advisory board), etc.*

What risk factors were considered to develop these [initiatives ZZZ]?

*Prompt: legal risks, operational risks, financial risks, risk aversion / entrepreneurial culture, environmental risks (i.e. droughts, fires, climate change), etc.*

Who did you turn to review your risk assessment [initiatives ZZZ]?

*Prompt: internal risk management department, legal team, provincial government agency, FCM, municipal association, professional association, consultant, etc.*

How did the municipal legislation and other related policies impact your ability to pursue these [initiatives ZZZ]?

What other issues did the municipality encounter as you were developing these [initiatives ZZZ]?

*Prompt: public debates, access to research / information, capital, expertise, land / operational space, etc.*

## Section B: Operational or Implementation Phase

In this section, we would like to talk about issues that emerged once these municipal entrepreneurial initiatives were up and running.

---

What is the structure of the operations of this / these [initiative(s) ZZZ]?

*Prompt: use of contractors, consultants, staff; management approach to natural resources / infrastructure assets, etc.*

What issues emerged as you first started this / these [initiative(s) ZZZ]?

*Prompt: small municipal capacity, changes in access to resources, environmental pressures, human resource pressures, fiscal pressures, infrastructure pressures, partner capacity, political influence, etc.*

What adjustments did the municipality need to make to support the operations of these [initiatives ZZZ]?

*Prompt: staff, policies, relationships / partnerships, expertise, governance, etc.*

How did any statutory regulations or provincial policies impact the operations of these [initiatives ZZZ]?

*Prompt: reporting requirements, impacts on borrowing limits, conflict of interest, how revenues could be spent / allocated, etc.*

How did local government policies and related capacities impact the operations of these [initiatives ZZZ]?

Did you have any third party organization that you could turn to for advice as you implemented these [initiatives ZZZ]?

*Prompt: other municipalities, municipal association, provincial government agency, provincial guides (i.e. for municipal enterprises / P3 partnerships), federal government agency, FCM, etc.*

How is the municipality using the revenues / fiscal resources generated from these [initiatives ZZZ]? Was this strategy adjusted over time?

Have additional revenues generated from these [initiatives ZZZ] changed the dialogue about property taxes and local government spending?

*Prompt: by council, by staff, by community*





## Section C: Reflection

In this section, we would like you to reflect on the success or effectiveness of these municipal entrepreneurial initiatives to better position small local governments to address their key priorities and needs.

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Do you feel these [initiatives ZZZ] have helped to strengthen the resiliency of local government operations from external pressures?

*Prompt: to fill resource gaps left by changes in tax base, fluctuations with provincial / federal transfers, etc.*

What have been the impacts of these [initiatives ZZZ] on your local government internally?

*Prompt: resiliency of fiscal, operational conditions; meeting community / economic development goals; supporting community groups; managing infrastructure / natural assets; investments in new sectors; transformative change.*

## Section: D: Looking Ahead

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Thinking about possible changes needed to better position small municipalities to leverage [municipal entrepreneurial initiatives ZZZ] in order to generate or attract investment, what suggestions or advice would you have about helping municipalities **develop** [municipal entrepreneurial initiatives ZZZ]?

*Prompt: to learn about initiatives; to plan and develop initiatives; and to get advice.*

Thinking about possible changes needed to better position small municipalities to leverage [municipal entrepreneurial initiatives ZZZ] in order to generate or attract investment, what suggestions or advice would you have about **strengthening the senior government policies and statutory regulations** that support [municipal entrepreneurial initiatives ZZZ]?

*Prompt: policies, regulatory restrictions, and provincial operational structures to support policies / regulations.*

Thinking about possible changes needed to better position small municipalities to leverage [municipal entrepreneurial initiatives ZZZ] in order to generate or attract investment, what suggestions or advice would you have about **helping municipalities gain access to the capital needed** to engage [municipal entrepreneurial initiatives ZZZ]?

Is there anything else that you would like to say about local government issues that we may have missed?

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