

Municipal Entrepreneurialism in Rural Canada



2023

Regional Report

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Table of Contents

Acknowledgements.....	iii
Availability of Reports.....	iv
Contact Information.....	iv
1.0 INTRODUCTION TO MUNICIPAL ENTREPRENEURIALISM	1
2.0 BRITISH COLUMBIA	3
2.1 Planning and Development	3
2.1.1 Human Resources	3
2.1.2 Access to Research and Information	4
2.1.3 Access to Capital	5
2.1.4 Benefits of Certification	5
2.1.5 Governance	5
2.1.6 Municipal Contributions or Commitments	6
2.1.7 Municipal Borrowing and Debt Limits	7
2.1.8 Strategies for Use / Distribution of Revenue	7
2.1.9 Understanding Industry Needs	8
2.2 Risk Management.....	10
2.2.1 Construction Risks.....	10
2.2.2 Environmental Risks.....	10
2.2.3 Financial Risks	11
2.2.4 Legal Risks	12
2.2.5 Operational Risks and Liabilities	12
2.2.6 Partnership Risks.....	13
2.2.7 Political Risks.....	14
2.2.8 Public Expectations	14
2.3 Policy Changes Needed to Better Position Municipalities	16
2.3.1 Provincial Capacity	16
2.3.2 Access to Capital	16
2.3.3 Provincial Policies and Legislation	17
2.3.4 Reporting.....	18
3.0 ALBERTA	19
3.1 Planning and Development	19
3.1.1 Mandate and Vision	19
3.1.2 Human Resources	20
3.1.3 Governance	20
3.1.4 Municipal Commitments and Contributions	21
3.1.5 Strategies for Use / Distribution of Revenue	22

3.1.6 Access to Land.....	23
3.2 Risk Management.....	24
3.2.1 Environmental Risks.....	24
3.2.2 Financial Risks.....	24
3.2.3 Operational Risks and Liabilities.....	25
3.2.4 Political Risks.....	26
3.2.5 Public Expectations.....	27
3.3 Provincial Policies Needed to Better Position Municipalities.....	28
3.3.1 Provincial Policies and Legislation.....	28
3.3.2 Access to Capital.....	29
3.3.3 Municipal Borrowing and Debt Limits.....	29
3.3.4 Provincial Capacity.....	30
3.3.5 Intermunicipal Collaboration.....	30
3.3.6 Resort Municipality Designation.....	31
4.0 NEWFOUNDLAND AND LABRADOR.....	32
4.1 Planning and Development.....	32
4.1.1 Human Resources.....	32
4.1.2 Access to Research and Information.....	33
4.1.3 Planning Timelines.....	33
4.1.4 Access to Capital.....	34
4.1.5 Networks.....	34
4.1.6 Built Capital.....	35
4.1.7 Governance.....	35
4.1.8 Municipal Commitments and Contributions.....	36
4.1.9 Strategies for Use / Distribution of Revenue.....	37
4.2 Risk Management.....	38
4.2.1 Construction Risks.....	38
4.2.2 Competitive Risks.....	38
4.2.3 Financial Risks.....	39
4.2.4 Operational Risks and Liabilities.....	39
4.2.5 Partnership Risks.....	40
4.2.6 Public Expectations.....	41
4.3 Policy Changes Need to Better Position Small Municipalities.....	42
4.3.1 Economic Development Capacity.....	42
4.3.2 Access to Capital.....	43
4.3.3 Provincial Policies and Legislation.....	43
5.0 CONCLUSION.....	45
6.0 REFERENCES.....	46

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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

REGIONAL 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 builds upon Phase One that examined the impacts of municipal reforms on small municipalities. Phase Two builds upon the experiences of our case studies in British Columbia, Alberta, and Newfoundland and Labrador to explore 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

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

This report presents the key findings from this research for each of the regions included in this study, including BC, Alberta, and Newfoundland and Labrador. 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.

2.0 BRITISH COLUMBIA

Key informant interviews were conducted with 12 stakeholders engaged in municipal government and municipal enterprises to better understand the issues impacting the development and operations of municipal entrepreneurialism in rural BC. The summary of key findings is structured in three key parts, including: planning and development, risk management, and policy changes to better position municipalities to pursue municipal entrepreneurial initiatives. The recommended principles in this section come directly from the stakeholders interviewed in Burns Lake and Dawson Creek.

2.1 Planning and Development

Drawing upon their experiences with municipal entrepreneurial initiatives, community stakeholders identified several key issues that shape the planning and development of these endeavors. In this section, we explore these thematic issues to provide insights into the capacities and needs of small municipalities.

2.1.1 Human Resources

A number of human resource challenges have been experienced as these municipal initiatives have been pursued. These include difficulties to attract new professionals and fill gaps left following retirements. These pressures are exacerbated by a lack of interest in, and graduates from, professional programs. Post-secondary institutions offer few courses about municipal enterprises in general, and there is limited course material about management tools and mechanisms tied to specific types of municipal enterprises (i.e. community forests, area-based tenure management). In a small community, there is more limited access to a high level of professional expertise (e.g. timber supply analysis). There have been accentuating circumstances when more human resource capacity was needed. During the uplift of the Mountain Pine Beetle epidemic, for example, the BLCF needed to hire out-of-town contractors to harvest large volumes of timber. This generated conflict with local contractors, despite the limited local capacity to address harvesting needs. Based on these human resource pressures, a number of key principles should be considered.

Theme	Principles
Human Resource Capacity	<ul style="list-style-type: none">• Strategically hire personnel who have an understanding of municipal enterprises or who have entrepreneurial skills.• 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.

Theme	Principles
	<ul style="list-style-type: none"> • Make strategic investments in equipment and technology to support education and training partnerships with local high schools and post-secondary education institutions. • Post-secondary institutions need to play a larger role to support the capacity development guiding different types of municipal enterprises in rural regions. • Provincial government and municipal associations should collaborate to 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.

Continuous investments in capacity renewal will be the key to strengthening development, resiliency, and risk management. As more expertise is acquired through experience, these municipal entrepreneurial initiatives will be able to operate more efficiently. Small municipalities should be aware, though, of the ongoing potential risks that may emerge from having insufficient institutional memory and capacity to pursue and sustain these endeavors. CAOs may wish to engage with peers through the Municipal Finance Association to obtain more information about the risks and liabilities associated with a municipal enterprise.

2.1.2 Access to Research and Information

Municipal stakeholders we spoke with 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 the additional high-level technical expertise that they were able to demonstrate within an economic sector. The missing piece concerned information about best practices to inform the development and operations and municipal enterprises. As such, two key recommendations need attention to better position small municipalities pursuing these types of initiatives.

Theme	Principles
Access to Research and Information	<ul style="list-style-type: none"> • Provincial government should develop a central focal point to access best practices and lessons learned from those who have engaged in various municipal entrepreneurial initiatives. • Provincial government should develop a central repository to provide information about the expertise and resources needed to support decision-making processes in municipal enterprises and P3 partnerships.

As small municipalities gain experience with developing a municipal enterprise, they may gain confidence to develop a new municipal enterprise. There is a clear understanding of the processes and regulations that must be worked through to establish the municipal enterprise.

2.1.3 Access to Capital

Municipalities accessed capital through municipal reserves and financing from the Municipal Finance Authority to meet their financial commitments for these municipal entrepreneurial initiatives. In the case of Dawson Creek’s P3 partnership, industry capital contributions were also critical to the project. 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. Reflecting on these experiences, municipal stakeholders should adopt the following capital principle to guide the development of operations of their initiatives.

Theme	Principles
Access to Capital	<ul style="list-style-type: none">Develop capital and operating reserves to address the ongoing responsibilities for managing operations and assets related to municipal enterprises and P3 partnerships.

2.1.4 Benefits of Certification

Specific types of municipal enterprises are regulated by industry standards. Global forestry markets, for example, are increasingly seeking forest industry certification (i.e. Forest Stewardship Council certification) to demonstrate products are based on community engagement, respect for Indigenous rights, and sustainable operations to maintain a resilient land base. Certification regulations also ensure that if the municipal enterprise experience staff and leadership changes, the principles guiding management practices will not change. There is a need, however, to make it more financially viable for small municipal enterprises to pursue certification. Based on these findings, two key principles should be considered when pursuing forestry-based enterprises.

Theme	Principles
Certification	<ul style="list-style-type: none">Scale-up to create an umbrella or regional entity to streamline certification efforts.Pursue certification programs that recognize UNDRIP and the principles of Free, Prior, and Informed Consent when working with Indigenous peoples.

Small municipalities should understand that industry certification processes can be time consuming. Workloads and staffing resources need to be allocated and planned accordingly in order to maintain these certifications over time.

2.1.5 Governance

Municipal stakeholders talked about the importance of developing a governance structure that is inclusive of all the stakeholders that will be impacted by the municipal enterprise operations.

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.

As these governance structures are developed and used over time, challenges can also emerge when there is an insufficient understanding of the limited powers of municipal shareholders for municipal enterprises. The only power retained by the municipality as the shareholder is to appoint an auditor for the municipal enterprise, appoint community-at-large board members, and organize the annual general meeting. An independent board will oversee all matters pertaining to the operations of the municipal enterprise. Based on these observations, several principles should be considered when developing the governance structures of municipal entrepreneurial initiatives.

Theme	Principles
Governance Structures	<ul style="list-style-type: none"> • Use the governance structures of municipal enterprises as an opportunity to support reconciliation and more collaborative relationships with Indigenous people to pursue economic development. • Need to reflect on the capacities and resources that Indigenous communities may or may not have to support their engagement in these endeavors. • Need more provincial guidance about how to define and use principles of Free, Prior, and Informed Consent when working with Indigenous people in collaborative governance structures. • Ensure all board members and staff are aware of the UNDRIP and the principles of Free, Prior, and Informed Consent. • Municipal enterprises need to invest in staff resources and time to develop trust and share responsibilities with Indigenous communities. • Ensure that the size of the board of directors is manageable.

Previous experience with municipal enterprises can nurture a stronger interest to invest time to establish a governance structure that is efficient and resilient, even as elected officials, municipal staff, and municipal enterprise staff change. This involves ensuring that these municipal entrepreneurial initiatives are not vulnerable to political influences and impulsive change.

2.1.6 Municipal Contributions or Commitments

Small municipal governments 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,

feasibility studies, start-up capital from municipal reserves, financial reporting and administrative support, office and meeting room space, long distance calls, photocopying, staff time, and consultation. During the consultation period, mileage costs related to consulting with Indigenous and non-Indigenous stakeholders may be incurred. 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. Moving forward, two principles should be considered as municipal stakeholders assess their municipal contributions and commitments for these endeavors.

Theme	Principles
Municipal Contributions or Commitments	<ul style="list-style-type: none"> <li data-bbox="597 615 1430 758">• 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. <li data-bbox="597 758 1430 833">• Assess the capacity of the municipality to sustain these commitments for a specified period of time.

Municipal stakeholders will 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.

2.1.7 Municipal Borrowing and Debt Limits

During the early stages of development, municipal financial contributions to a municipal enterprise may impact the municipality’s borrowing limits. In response, the following principle should be considered by municipal stakeholders pursuing municipal enterprises or P3 partnerships.

Theme	Principles
Impact on Municipal Borrowing and Debt Limits	<ul style="list-style-type: none"> <li data-bbox="597 1417 1430 1528">• Develop capital and operating reserves in order to eliminate the need for municipal contributions / commitments and related impacts on municipal borrowing and debt limits.

2.1.8 Strategies for Use / Distribution of Revenue

Small municipalities should ensure that there is a formal and clearly communicated investment strategy in place to use the revenues generated to support transformative change or the development of new economic opportunities. This may be a difficult task to achieve if there is limited political and public support for such a strategy. Instead, dividends may be placed into a reserve fund. These funds may be leveraged as matching funds to obtain senior government grants, to support studies or plans, or they may directly be used for small infrastructure

projects to reduce taxpayer pressures. Revenue has been used to fund municipal staff positions. The approach to using these revenues is constantly changing depending on who is on council.

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 distribution of profits for community donations can be influenced by staff and board members who may have different interests and change over time. The availability of funds for community donations is also market driven. As such, three key principles stand out.

Theme	Principles
Strategies for Use / Distribution of Revenue	<ul style="list-style-type: none"> • 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.

Dividends from municipal enterprises can provide an unconditional source of funding with more flexibility than many provincial and federal government transfers that have restrictions on how those funds are spent and used. Small municipalities, however, 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.

2.1.9 Understanding Industry Needs

Municipalities and private sector stakeholders can have different responsibilities and goals that shape how they engage with 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. In response, two key actions should be considered.

Theme	Principles
Understanding Industry Needs	<ul style="list-style-type: none"> • Meet with industry to understand their investment timelines that may shape P3 partnership engagement. • Meet with industry to understand their specific quality standards that may shape P3 partnership projects.

Small municipalities should be aware that if a P3 partnership project is not progressing quickly enough, private investors may move their capital elsewhere. This may occur when municipalities apply to grant programs with lengthy review and approval processes in order to acquire their share of the capital for a P3 partnership project.

2.2 Risk Management

In rural-based economies, risk management affects the resiliency and competitiveness of municipal entrepreneurial initiatives. The capacity of small municipalities to develop effective risk management strategies may be shaped by staff expertise and resources, as well as the complexity of the municipal entrepreneurial initiative. This section draws upon the experiences of municipal stakeholders in BC to explore some of the risk management issues that needed to be addressed as a part of municipal entrepreneurial endeavors.

2.2.1 Construction Risks

Innovative, complex infrastructure projects can generate construction risks that are difficult to manage. There can be complex sets of skills, designs, and levels of expertise due to the breadth of professionals involved (e.g. engineers, chemists, etc.). 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. Based on these observations, two key actions should be considered to manage construction risks.

Theme	Principles
Managing Construction Risks	<ul style="list-style-type: none">• 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 component of complex construction projects.• Develop alternative plans to access temporary alternative equipment until specified equipment can be obtained.

2.2.2 Environmental Risks

As municipal entrepreneurial initiatives draw upon their place-based assets for development, there are several environmental risks that must be managed. These environmental risks are specific to each sector and place. For example, community forests must manage and mitigate wildfire risks associated with residual fibre left from harvesting. The Dawson Creek Water Reclamation Facility was developed in response to drought risks and exacerbated pressures on remaining water reserves. The water reclamation facility has also alleviated broader environmental risks in the community by reducing the number of trucks transporting water on roads. However, water discharge from reclamation plants cannot be released at any time in unspecified quantities. Municipalities must adhere to permit requirements from the provincial Ministry of Environment. Watershed technicians also perform tests and monitoring on a regular basis. Based on the experiences of these two distinct initiatives, two actions should be considered for stakeholders pursuing these types of projects.

Theme	Principles
Managing Environmental Risks	<ul style="list-style-type: none"> • Broadly communicate planned prescribed burns to mitigate health risks and impacts for vulnerable residents who may be impacted by smoke. • Understand environmental permitting and regulatory requirements from provincial ministries that may shape ongoing testing, monitoring, and operational plans.

Municipal stakeholders should be aware that there will be a need to anticipate and adjust to existing and evolving changes in environmental regulations that may impact the planning and operations of these endeavors.

2.2.3 Financial Risks

There can be financial risks associated with substantial financial investments during the early stages of development for a municipal enterprise or P3 partnership. It can be difficult to attract other stakeholders (e.g. Indigenous partners, industry, the regional district) to such endeavors due to unknown liabilities. In each of our case studies in BC, the initiatives for community forests and a water reclamation facility were new within the province, and so there was a lack of information about what the liabilities could be and what those liabilities could mean for shareholders. For example, there were financial risks due to inaccurate costing of a complex, innovative infrastructure project. Fluctuating senior government transfers for small municipalities made it difficult to support long-term planning and infrastructure investments. However, municipal enterprise revenues can be volatile to recessions, fluctuations in commodity prices, 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. In response, four key issues should be considered in decision-making processes for municipal entrepreneurial initiatives.

Theme	Principles
Managing Financial Risks	<ul style="list-style-type: none"> • Pursue P3 partnerships for complex projects to reduce the financial risks for small municipalities. • Ensure staff not only consider the capital costs, but also potential long-term financial commitments to support the operations and maintenance of any assets. • Pricing must be set to recuperate operating costs and acquire resources for capital replacement. • Develop capital and operating reserves to address the ongoing responsibilities for managing operations and assets related to municipal enterprises and P3 partnerships.

Despite these financial risks, municipal stakeholders pursued municipal entrepreneurial initiatives by necessity. With tax base pressures, deteriorating infrastructure, and expanding responsibilities, there was an urgent need to generate more revenue to maintain existing and

develop more effective infrastructure. Stakeholders felt there were potentially more financial risks to no action.

2.2.4 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. As such, the following recommendation should be carefully considered.

Theme	Principles
Managing Legal Risks	<ul style="list-style-type: none"> • Seek legal counsel prior to engaging in municipal enterprises and P3 partnerships to assess and understand the liabilities or potential exposures for the municipality.

2.2.5 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. 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. Furthermore, as municipalities address infrastructure repairs and maintenance with assets, there may be unexpected barriers to complete repairs due to proprietary technology. Below, there are a number of issues that should be explored in these endeavors.

Theme	Principles
Managing Operational Risks and Liabilities	<ul style="list-style-type: none"> • 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 municipal enterprise operations. • Invest in the ownership of building assets in order to bring long-term stability to operations. • Explore opportunities to leverage building assets to generate additional revenue to support growth by renting out space to other businesses and organizations.

Theme	Principles
	<ul style="list-style-type: none"> • Ensure restructuring decision-making processes are supported by adequate research about the feasibility of new directions. • Build an extensive network of professionals to address unexpected repair, maintenance, and technology issues.

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.

2.2.6 Partnership Risks

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. Most notably, partners may threaten to withdraw from partnership arrangements, therefore jeopardizing the viability of these endeavors. These pressures must be carefully monitored by the municipal stakeholders in order 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.

Municipalities need to manage risks and liabilities around the potential loss of industry partners due to changes in technology and related infrastructure supporting resource extraction processes that may make existing infrastructure redundant. Industry can also be protective of proprietary information. This high level of privacy and protection of information can impede the development of relationships between municipalities and industries. Based on the experiences of these municipal stakeholders, three key actions should be considered to address these partnership risks.

Theme	Principles
Managing Partnership Risks	<ul style="list-style-type: none"> • 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. • Adopt a consensus building decision-making process to strengthen Indigenous 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.

It is important for municipalities to be constantly nursing relationships and identifying key partners in the community. Municipal stakeholders will need to ensure industry is aware of how they are impacting the environment and the community. When that awareness and shared knowledge is in place, it is easier to develop partnership opportunities when they arise.

2.2.7 Political Risks

Political support for a municipal enterprise 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. Municipal governments, however, 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. To entrench this separation, municipal enterprise governance structures are designed to ensure elected municipal officials do not serve on their board of directors. In response to these political risks, three key recommendations should be considered.

Theme	Principles
Managing Political Risks	<ul style="list-style-type: none"> • Conflict of interest and governance protocols need to be developed to mitigate political risks for municipal enterprises. • Need to build a comprehensive business case to demonstrate the need and long-term commitments of initiatives. • Ensure professionals are in place with the expertise to make strategic decisions and prevent conflicts of interest.

Municipal stakeholders should be aware that political risks can undermine the stability and long-term viability of municipal entrepreneurial initiatives.

2.2.8 Public Expectations

During the early stages of development, there can be challenges to manage public expectations about community benefits from municipal enterprises. 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.

As municipalities engage in P3 partnerships and municipal enterprises, 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. To manage public expectations associated with these endeavors, the following four recommendations should be considered.

Theme	Principles
Managing Public Expectations	<ul style="list-style-type: none"> • Include a strategy to manage public expectations and concerns within a business management plan.

Theme	Principles
	<ul style="list-style-type: none"><li data-bbox="597 233 1377 300">• Information about public benefits from municipal enterprises and P3 partnerships needs to be clearly communicated.<li data-bbox="597 306 1419 478">• Develop a diverse communication strategy to maintain open communication and transparency with residents (i.e. annual reports, open houses, events, social media / websites, newsletters / newspapers, annual general meetings, and word of mouth).<li data-bbox="597 485 1300 552">• Develop transparent governance processes to facilitate communication and manage public expectations.

Municipalities will need to ensure people understand the scale of municipal enterprise operations in order to maintain realistic expectations of what may be achieved from the revenue generated. People also need to understand that the availability of profits to support community donations or other investments is market driven.

2.3 Policy Changes Needed to Better Position Municipalities

Our findings suggest that there are a number of provincial policy issues that are impeding municipal entrepreneurial endeavors. In the final section, we explore provincial policy and legislative issues that need attention in order to better position small municipalities as they explore and prepare to undertake more entrepreneurial initiatives.

2.3.1 Provincial Capacity

Municipalities have become entrepreneurial more quickly than their provincial counterparts. There is a need to build the capacity of provincial staff to support provincial policies that encourage municipal governments to be more entrepreneurial. To strengthen provincial staff capacity to support municipal entrepreneurial initiatives, three key actions need attention.

Theme	Principles
Build Provincial Staff Capacity	<ul style="list-style-type: none">• 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 in order 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 (i.e. community forests) to achieve objectives in their management plans and strategies.

2.3.2 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 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. The approval timeline can be too long, resulting in the potential loss of industry partners. Changes to industry specific regulations can also consume operating capital and threaten the financial viability of these types of small ventures. To improve access to capital for these endeavors, four key actions need to be considered at the provincial level.

Theme	Principles
Access to Capital	<ul style="list-style-type: none">• Need greater clarity within legislation about how municipal enterprises can access capital (i.e. through municipal borrowing vs private sector).• More information is needed about how municipalities may access capital through P3 partnerships within provincial statutory frameworks.

Theme	Principles
	<ul style="list-style-type: none"> <li data-bbox="597 237 1356 331">• A more streamlined grant process needs to be developed to empower municipalities to enter P3 partnerships in a timely manner with private sector stakeholders. <li data-bbox="597 342 1388 405">• Tabular rates need to be retained to strengthen the viability of community forests.

As municipalities provide initial financial contributions to support the development of municipal enterprises, municipal stakeholders will need to reflect on how those initial investments will be recouped in order to address taxpayer concerns and avoid political fallout from those initial capital investment decisions.

2.3.3 Provincial Policies and Legislation

There is a lack of clear provincial regulations and processes guiding the development of municipal enterprises. This leaves municipal stakeholders to learn by trial and error as they work through the early stages of development for these initiatives. Provincial policies and regulations are also often designed to reflect large-scale industries (i.e. major licensees). The Province’s decision, for example, to pursue a change from tabular to market-based stumpage for area-based tenures used by community forests would reduce revenues and profit margins to address community needs. As such, provincial policy changes may not be deemed to be measurable or achievable in the day-to-day operations of small-scale municipal enterprises. Below, there are a series of recommendations to strengthen provincial policies and legislative frameworks to better position small municipalities to pursue these endeavors.

Theme	Principles
Provincial Policies and Legislation for Municipal Enterprises	<ul style="list-style-type: none"> <li data-bbox="597 1197 1356 1291">• Need clear provincial policies to guide the development and operations of for-profit municipal enterprises, as well as municipal social enterprises. <li data-bbox="597 1302 1315 1365">• Need to develop a series of tools and checklists to assist municipalities to work through regulatory requirements. <li data-bbox="597 1375 1372 1438">• Approval processes for municipal enterprises need to be less subjective and grounded in an understanding of rural regions. <li data-bbox="597 1449 1323 1512">• Policy changes need to reflect the small-scale nature of municipal enterprise operations (i.e. community forests). <li data-bbox="597 1522 1396 1585">• Policies need to reflect the day-to-day operations of area-based tenures in community forests. <li data-bbox="597 1596 1291 1659">• Need to retain tabular stumpage rates to ensure small community forests can remain viable.

Small municipalities will need to ensure they have a clear understanding of the legislation requirements and regulatory processes that will impact their venture. In addition to the Community Charter, the Local Government Act, and the Business Corporations Act, other forms of legislation may shape ventures in specific economic or resource sectors.

2.3.4 Reporting

Reporting processes are an important component of risk management. New innovative infrastructure projects may be more scrutinized by the provincial government through reporting processes. Reporting requirements, however, can become so substantial for small municipalities that they may outweigh the benefits of pursuing such endeavors. In response, there are two key recommendations that may guide future reporting policies.

Theme	Principles
Reporting Requirements	<ul style="list-style-type: none">• Ensure provincial reporting requirements are not beyond the capacity of small municipalities.• Ensure provincial reporting requirements reflect the smaller scale of municipal ventures.

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.

3.0 ALBERTA

Key informant interviews were conducted with 8 stakeholders engaged in municipal government and municipal enterprises to obtain a better understanding of the issues impacting the development and operations of municipal entrepreneurial endeavors. The summary of key findings from these stakeholders is structured in three key parts, including: planning and development, risk management, and policy changes to better position municipalities to pursue municipal entrepreneurial initiatives. The recommended principles in this section come directly from the stakeholders we interviewed in Canmore and Forestburg.

3.1 Planning and Development

Drawing upon their experiences with municipal entrepreneurial initiatives, community stakeholders identified several key issues that shape the planning and development of these endeavors. In this section, we explore these thematic issues to provide insights into the capacities and needs of small municipalities.

3.1.1 Mandate and Vision

As the mandate and vision guiding municipal entrepreneurial initiatives are developed, municipal stakeholders we spoke with felt that small municipalities can become distracted by broader, popular initiatives that do not reflect the needs and capacities within the municipality. Based on this, five key recommendations stand out.

Theme	Principles
Mandate and Vision	<ul style="list-style-type: none">• Need to base municipal entrepreneurial initiatives on a broader vision for the community that uses local strengths and assets.• Need to stay focused on strategic directions, not distracted by popular initiatives that do not reflect the assets and capacities of municipalities.• Initiatives should resonate with the interests / aspirations of residents.• Provincial government and municipal associations should collaborate to create a platform to provide opportunities for sharing best practices and lessons learned through municipal entrepreneurial initiatives.• Need to 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.

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.

3.1.2 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 entrepreneurial policies, while meeting ongoing municipal responsibilities. Municipal staff may fear taking risks or be more focused on regulating activities identified within the Municipal Government Act. 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. Furthermore, municipal enterprises in small municipalities may have limited access to project management capacity. There may also be a lack of local contractors and suppliers to respond to the demands created from municipal tax incentive programs for new housing and business developments. Based on these observations, several principles and recommendations should be considered to ensure appropriate human resources are in place to support these endeavors.

Theme	Principles
Human Resource Capacity	<ul style="list-style-type: none">• Need to strategically hire staff who are entrepreneurial, creative, and not afraid to take risks.• Need access to legal advice and financial advisors to guide the development of municipal entrepreneurial initiatives.• Need access to a legal template to help municipalities understand the responsibilities of the municipality and other potential partners in order to plan and develop these initiatives.• Municipal enterprise leadership / management need to have a broad range of skills (e.g. planning, program development, project management, policy, finance, etc.).• Need to invest in liaison staff personnel to strengthen communication between the municipality and the arm's length municipal enterprise.• Need to understand when it is necessary to outsource tasks to obtain greater efficiencies and expertise.• Need to draw upon volunteer leadership to develop municipal entrepreneurial policy 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.

3.1.3 Governance

Municipal stakeholders highlighted several issues that unfolded during the development and use of governance structures for municipal enterprises. 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 disagreements with elected officials with respect to policies and strategic decisions. The stability of boards can then be jeopardized when elected municipal officials do not share the same political or social views as board members of municipal enterprises. This can result in political pressures for municipal enterprises to be dissolved. Based on this, four key recommendations stand out.

Theme	Principles
Governance Structures	<ul style="list-style-type: none"> • Need to invest time and resources to develop appropriate governance structures guiding the development and operations of municipal entrepreneurial initiatives. • Need to monitor the mandates and workloads of board members. • Newly elected municipal officials need an orientation about municipal enterprises and the limits of shareholder responsibilities. • New board members need an orientation about the mandate of the municipal enterprise, the statutory environment governing municipal enterprises, and their responsibilities as board members.

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.

3.1.4 Municipal Commitments and Contributions

Municipal stakeholders review municipal budgets to assess their capacity to offer tax incentives or provide contributions during the early stages of development for municipal enterprises. Financial contributions or commitments have varied and have been impacted by the stage of development of the municipal enterprise. Strategies such as the creation of mill rates or guaranteeing bank loans to satisfy support requirements for private lenders have been used. With mounting fiscal pressures and municipal responsibilities, small municipalities can find it

difficult to provide financial contributions to support the start-up costs of municipal enterprises. As municipal stakeholders engage in discussions about their potential commitments or contributions to municipal entrepreneurial initiatives, two key principles or recommendations should be considered to guide these conversations.

Theme	Principles
Municipal Commitments and Contributions	<ul style="list-style-type: none"> • Need 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.). • Need to have clear processes established to guide any financial contributions to municipal enterprises / social enterprises.

Municipalities should be aware that significant financial and in-kind contributions are needed during the early stages of development for municipal enterprises when are still growing their revenue streams and assets.

3.1.5 Strategies for Use / Distribution of Revenue

Municipal entrepreneurial endeavors have strengthened the resiliency of municipal revenues and operations. Local government policies have also been leveraged to attract new residents and investment to renew a range of assets within these communities. Small municipalities, however, may not always have strategies in place to use revenues generated through municipal enterprises and strategic policy initiatives. Revenue from municipal enterprises, for example, may be allocated to general revenues. The result can be missed opportunities to strategically and wisely use new revenue to meet community goals and aspirations. It is equally important, however, to ensure some revenues are used to develop reserves to protect the long-term viability of municipal enterprises. Based on these observations, three principles should be considered to guide strategies for using and distributing revenue from these initiatives.

Theme	Principles
Strategies for Use / Distribution of Revenue	<ul style="list-style-type: none"> • 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. • Explore opportunities to allocate some revenue for a community foundation to ensure there are long-term financial capital assets within the community.

Municipalities should be aware that there may not always be synergies between the strategic investment plans of municipal governments and arm’s length municipal enterprises. 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.

3.1.6 Access to Land

Municipal stakeholders in this study talked about challenges to access private land or purchase Crown land in order to support municipal enterprise investments in the community. Land development costs can also be exacerbated by flood mitigation work. In response, two key principles were recommended to guide the development of municipal enterprises and their related assets.

Theme	Principles
Access to Land	<ul style="list-style-type: none"><li data-bbox="597 548 1430 615">• Need to allocate sufficient resources to support master planning and infrastructure investments for servicing land.<li data-bbox="597 621 1430 688">• Explore ways to strategically use urban reserve land to support investments related to municipal enterprise objectives.

Municipalities should be aware that limited availability of land, ecological sensitivity, and high land market values may increase the financial risks for municipal enterprises.

3.2 Risk Management

Municipalities will need to improve their capacity and agility in response to changing conditions associated with municipal entrepreneurial endeavors. In this section, there are a series of risk management issues described that need to be considered to better position small municipalities as they mobilize municipal entrepreneurial initiatives.

3.2.1 Environmental Risks

Small municipalities have limited staff and fiscal resources to assess and monitor environmental risks. However, municipal stakeholders felt that environmental risks are managed through a highly regulated regime and governance mechanisms. For example, a board is in place through the Federation of Alberta Gas Co-ops Ltd.¹ to monitor concerns related to the entire gas co-operative network. As such, in addition to monitoring Phoenix Gas for the Village of Forestburg, there are a number of other companies that are monitored through that board. Regulations and legislation guiding the management of environmental risks can vary depending on the type of municipal enterprise. Based on these issues, two recommendations should guide risk management strategies for municipal enterprises.

Theme	Principles
Managing Environmental Risks	<ul style="list-style-type: none">• Need to ensure responsibilities to monitor environmental risks are assigned appropriately to staff or board members.• Need to explore opportunities to scale-up and work through larger collaborative networks to assess and monitor environmental risks.

3.2.2 Financial Risks

As these small municipalities experienced several socio-economic pressures, 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. In contrast, municipal stakeholders noted reservations about long-term investments that can generate more debt and financial risks for municipal enterprises (e.g. rental developments). As such, there is a reluctance to support the development of municipal enterprises that may invest in long-term assets and generate more debt and financial risks. Reservations were also noted about using limited fiscal resources to support tax incentives due to uncertainties about the effectiveness of these measures. Several principles outlined below should be considered to reduce financial risks associated with municipal entrepreneurialism.

¹ There are 16 gas networks that are owned by towns and village governments around Alberta (see: <https://www.fedgas.com/Map>).

Theme	Principles
Managing Financial Risks	<p><i>Municipal Enterprises</i></p> <ul style="list-style-type: none"> • Ensure adequate reserves are in place to support long-term management of assets / viability of municipal enterprises (e.g. capital reserves, operating reserves, special initiative reserves). • Explore options to pursue capital projects that generate short-term debt to balance overall financial risks (i.e. home ownership developments). • Monitor inflation and costs associated with the development and maintenance of municipal enterprise assets. • Identify if rising costs are associated with issue missed in RFP process, contractor error, or unexpected technical issues. <p><i>Municipal Policies, Programs, and Tax Incentives</i></p> <ul style="list-style-type: none"> • Invest time in research and data information to demonstrate how increased local spending from new residents, new investments, new long-term property tax revenue would outweigh initial loss of tax revenue from tax incentives. • Explore options to reduce the amount allocated to each individual if demand exceeds financial resources available.

Municipalities should understand that financial risks can emerge during the early stages of development and through on-going operations. 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. Risk management protocols should be in place prior to pursuing any municipal entrepreneurial endeavors.

3.2.3 Operational Risks and Liabilities

Operational risks and liabilities were difficult to manage within a municipal entrepreneurial context. Newly elected municipal officials and new municipal staff may 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 municipal enterprises back in-house can lead to confusion and destabilize operations. Operational risks also stem from a lack of clear criteria to guide access to municipal incentives and municipal enterprise programs. Customized private sector software upgrades to support innovative municipal tax incentive programs can also be costly. Based on these findings, four key recommendations stand out.

Theme	Principles
Managing Operational Risks and Liabilities	<ul style="list-style-type: none"> • Provide an orientation to new staff and council members about municipal enterprises (e.g. mandate, shareholder responsibilities, limitations of authority, etc.).

Theme	Principles
	<ul style="list-style-type: none"> • Develop clear program criteria to guide access to, and use of, municipal incentives and municipal enterprise programs. • Develop appropriate segregated software to manage municipal incentive programs that ensure provincial portions of municipal property taxes are not impacted. • Develop performance indicators to track the success of municipal incentive programs (e.g. population change, # of new homes built, # of property tax credits issues, etc.).

Moving forward, municipalities should be aware that a continuous effort will be needed to renew an understanding about municipal entrepreneurial initiatives.

3.2.4 Political Risks

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 conflicts and competition with private sector businesses. Disagreements may occur between council and municipal enterprise board members over the strategic directions for operations and investments. 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. New discussions are also seeking to exert control through terms and conditions contained within funding agreements or land donations. Based on these observations by municipal stakeholders, a number of principles should be considered to address political risks.

Theme	Principles
Managing Political Risks	<ul style="list-style-type: none"> • 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. • Communicate how action plans and municipal incentive policies are grounded within the limits of municipal powers.

Municipalities should be aware that political perspectives and entrepreneurial culture amongst municipal council and staff can change or deteriorate following municipal elections. For municipal entrepreneurial initiatives to be sustained on a long-term basis, purposeful efforts

will be needed to provide evidence-based decision-making in order to continuously renew political support for these endeavors.

3.2.5 Public Expectations

Municipal entrepreneurial initiatives can generate several public debates. There are concerns that municipal enterprises may be competing with private sector businesses. Concerns may be expressed about using or forgoing taxpayer revenues to fund municipal tax incentives to attract investment. Municipal entrepreneurial endeavors can encounter NIMBYism, stemming from concerns about the impact of municipal enterprise investments that may affect green spaces or other quality-of-life assets. Based on these issues, several key recommendations stand out.

Theme	Principles
Managing Public Expectations	<ul style="list-style-type: none">• Need a purposeful strategy to manage public expectations.• Provide a clear justification for the development of municipal enterprises and municipal tax incentive policies.• Demonstrate how municipal enterprise projects are not being addressed by private sector interests.• Allocate sufficient resources to support public consultation processes to ensure strategic directions are grounded in the local aspirations, needs, assets, and other related resources in the community.• Communicate realistic expectations about what may be achieved through the scale of revenue generated through municipal enterprises and municipal tax incentives.• Demonstrate how municipal tax incentives can support long-term growth by strengthening tax base, improving property assessments, and investments in infrastructure and services.• Manage public expectations through sharing business plans, strategic plans, and annual reports.

As small municipalities move forward to develop and implement municipal entrepreneurial initiatives, they will need to be mindful about how public expectations and understandings shape competing priorities and support for municipal enterprise investments.

3.3 Provincial Policies Needed 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.

3.3.1 Provincial Policies and Legislation

As we spoke with municipal stakeholders, people talked about their limited understanding of how the legislative framework associated with the Municipal Government Act 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. In response to these issues, four recommendations stand out.

Theme	Principles
Provincial Policies and Legislation for Municipal Enterprises	<ul style="list-style-type: none"> • Need greater clarification in legislation about how municipal corporations should be established. • 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. • Provincial government should deliver workshops about how legislation and regulatory processes shape the development and operations of municipal enterprises at municipal conventions. • Provincial government needs to 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.

Municipalities should not proceed with efforts to develop a municipal enterprise without a clear understanding of the various legislation and regulatory processes that will impact their venture. In addition to the Municipal Government Act and the Business Corporations Act, other forms of legislation may shape ventures in specific economic or resource sectors.

3.3.2 Access to Capital

The development and operations of municipal enterprises may be constrained by limited access to capital. These challenges are exacerbated by confusion about the opportunities for, and conditions under which, municipal enterprises can access capital at lower rates through the Alberta Capital Finance Authority. 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 Alberta Capital Finance Authority, 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. Municipalities are currently monitoring debates about the potential future of the Alberta Capital Finance Authority. Recent decisions to raise the lending rates for municipalities have raised concerns about the impact of rising borrowing and capital costs on the viability of municipal operations (Morey 2022). Based on these observations, there are three key recommendations that need to be addressed by the provincial government.

Theme	Principles
Access to Capital	<ul style="list-style-type: none">• Provincial government needs to provide greater clarity about how municipal enterprises can access capital.• Small municipalities need more information about how to access capital through P3 partnerships within the provincial statutory environment.

Municipal stakeholders were cautious, however, about the pressures that are driving small municipalities to be more entrepreneurial. With mounting fiscal pressures and expanding responsibilities, people we spoke with advocated for more grant programs tailored to the needs of small municipalities in order to reduce the pressure for small municipalities with limited capacity to pursue municipal enterprises or P3 partnerships.

3.3.3 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. Based on these observations, two key changes need to be addressed at the provincial level.

Theme	Principles
Provincial Policy / Statutory Environment	<ul style="list-style-type: none"> • Provincial government needs to provide greater clarity about how municipal enterprises or municipal social enterprises impact municipal borrowing rates and debt limits. • Provincial government needs to change the MGA to provide exemptions for municipal enterprise / social enterprise debts from municipal debt servicing limits.

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.

3.3.4 Provincial Capacity

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. As municipal stakeholders seek to interpret and understand legislation, provincial staff within Municipal Affairs referred municipalities to seek legal counsel, leaving municipalities to question the role and supports offered through the branch. Provincial instability from changes in the provincial government and related strategic directions also affects the stability of programs and supports. Based on these issues, the following recommendation needs attention by the provincial government.

Theme	Principles
Provincial Policy / Statutory Environment	<ul style="list-style-type: none"> • Need to train provincial staff to provide advice and support to small municipalities seeking to develop municipal enterprises and P3 partnerships.

3.3.5 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. As such, the Province of Alberta has encouraged municipalities to work together through Inter-Municipal Partnership Agreements². 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. Moving forward, the following recommendation will need attention in order to strengthen sustained intermunicipal collaboration.

² The Intermunicipal Partnership Agreements were a requirement introduced after the collaborative efforts by Canmore and Banff to address housing pressures in their communities.

Theme	Principles
Intermunicipal Collaboration	<ul style="list-style-type: none"> • Need more provincial funding to support regional collaboration and development of inter-municipal partnership agreements.

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.

3.3.6 Resort Municipality Designation

Inter-municipal collaboration between destination and gateway tourism communities can be impeded by a lack of revenue streams to support these different types of municipalities. Both gateway and destination tourism communities can struggle to address the infrastructure and service demands created from an influx of tourists and seasonal workers. Tourism-based municipalities in Alberta have been lobbying for a resort municipality designation initiative to be included in the Municipal Government Act in order to empower these communities to access more revenue to address these pressures (Ludwig 2022).

Theme	Principles
Resort Municipality Designation	<ul style="list-style-type: none"> • Need to ensure a broad range of tourism-based communities can obtain resort municipality status to collect additional sources of revenue.

4.0 NEWFOUNDLAND AND LABRADOR

Key informant interviews were conducted with 10 stakeholders engaged in municipal government and municipal social enterprises to obtain a better understanding of the issues impacting the development and operations of municipal entrepreneurialism in Bonavista and Grand Falls-Windsor, Newfoundland and Labrador. The summary of key findings from these stakeholders is presented through three key parts, including: planning and development, risk management, and policy changes to better position municipalities to pursue municipal entrepreneurial initiatives. The recommended principles in this section come directly from the stakeholders we interviewed in Bonavista and Grand Falls-Windsor.

4.1 Planning and Development

Drawing upon the key findings from our two case studies, participants discussed several issues that impacted the planning and development of these endeavors. In this section, we explore these thematic issues to draw attention to changes needed to build the capacity of small municipalities that are pursuing municipal enterprises.

4.1.1 Human Resources

Municipal social enterprises were supported by an Executive Director. The role of the executive director is to lead programs and innovative initiatives, support strategic investments in equipment and infrastructure, and secure appropriate partnerships with senior levels of government, universities, or private sector stakeholders. The challenge for these municipal social enterprise initiatives is that there are few other employed staff to support these operations. These pressures are exacerbated by small municipalities that have small economic development departments to draw support or advice from. Momentum for municipal entrepreneurial initiatives can also be interrupted by budget cuts and turnover amongst economic development departments in small municipalities. New start-up businesses that become tenants of municipal enterprises, however, may also experience struggles to obtain a skilled workforce due to youth out-migration or changes to local training opportunities. For tenants, these human resource pressures may undermine the viability of their business and, subsequently, produce vulnerabilities for the municipal enterprise in small municipalities. Based on these human resource issues, a number of principles should be considered.

Theme	Principles
Human Resource Capacity	<ul style="list-style-type: none"><li data-bbox="597 1612 1430 1717">• Municipalities will need to define staff roles and responsibilities to clearly identify which staff may provide a supportive role (i.e. advice or in-kind support) to municipal enterprise operations.<li data-bbox="597 1717 1430 1791">• Small municipalities may need to look at underdeveloped human resource assets to support municipal entrepreneurial initiatives.<li data-bbox="597 1791 1430 1900">• Need to strengthen synergies between municipal staff and departments to maximize efficient operations with limited resources.

Theme	Principles
	<ul style="list-style-type: none"> • Need to develop strategic partnerships with post-secondary institutions to support commensurate training and workforce skills that will attract start-up businesses in strategic areas. • Need to work with post-secondary institutions to recruit and retain international students in collaboration with the Atlantic Immigration Program to address workforce gaps.

Smaller municipalities, however, should 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.

4.1.2 Access to Research and Information

Investments in research and information led to new innovative opportunities and partnerships to expand services and community development assets. Research has also been used to support strategic investment decisions in heritage and other related community assets. Drawing upon the experiences of our case studies in Newfoundland and Labrador, three key principles should be considered when pursuing research and information to support municipal enterprises.

Theme	Principles
Access to Research and Information	<ul style="list-style-type: none"> • 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. • Understand opportunities for intellectual property that can lead to private sector initiatives.

Municipalities should perceive research activities as expenses, but rather as investments to support good evidence-based decision making for risk-taking initiatives. Small municipalities, however, will need to be mindful of ensuring such research encompasses the costs for maintaining and preserving assets that may be pursued through municipal entrepreneurial initiatives.

4.1.3 Planning Timelines

Small municipalities in this study emphasized the need to adopt proactive planning timelines to support the development of municipal enterprises. In this case, five key principles stood out.

Theme	Principles
Proactive Planning Timelines	<ul style="list-style-type: none"> • Allocate sufficient timelines to prepare presentations for different organizations and community stakeholders. • Allocate sufficient timelines to support the development of different collaborations and partnerships.

Theme	Principles
	<ul style="list-style-type: none"> • 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.

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.

4.1.4 Access to Capital

Obtaining capital to support the early stages of development of municipal enterprises can be difficult. Our case study municipalities accessed capital through provincial and federal funding agencies (i.e. ACOA, Historic Properties Initiative Program). These sources of capital, however, were not sufficient to sustain municipal enterprise development and operations. For these municipal enterprises, other sources of capital have included municipal budgets and loans to general municipal finances. Based on these experiences, the following recommendation should be considered.

Theme	Principles
Access to Capital	<ul style="list-style-type: none"> • 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.

Small municipalities will need to be mindful that if municipal enterprise activities are not sufficiently funded, their momentum and activities will not be sustained.

4.1.5 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 in Ontario and Newfoundland and Labrador, and provincial and federal government departments and organizations (i.e. ACOA, CBDC, Federal Business Development Bank, Parks Canada). Municipal staff also attended national and international conferences to seek information and advice about developing new sectors and to recruit tenants for building assets. Based on these experiences, one key principle stood out.

Theme	Principles
Access to Networks	<ul style="list-style-type: none"> • Allocate sufficient staff support and time to develop and maintain extensive networks that can be drawn upon when needed.

Without these networks, small municipalities would not be positioned to advance their goals and initiatives at a faster pace.

4.1.6 Built Capital

The Town of Bonavista and the Town of Grand Falls-Windsor own building assets to support municipal social enterprises. In the case of the EXCITE Corporation in Grand Falls-Windsor, the building was designed to provide flexible, partitioned spaces to address the space needs of potential tenants. The building was equipped with common spaces, including a central entrance, reception area, and washrooms. Investments have also been made in new equipment and technology with collaborative partners, such as simulation lab equipment, to support training, recruitment of professionals, and distance learning. In Bonavista, the renovation and retention of heritage building assets has also helped to advance the recruitment and retention of new businesses and residents, as well as visitors throughout the year. Following the moratorium, the Town of Bonavista was also able to acquire low-cost real estate through tax sales, bankruptcies, philanthropic endeavors, and transfer agreements with provincial and federal governments.

Theme	Principles
Access to Built Capital	<ul style="list-style-type: none"> • 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.

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.

4.1.7 Governance

Each of our case studies in Newfoundland and Labrador adopted a unique governance structure for their municipal social enterprise. The EXCITE Corporation was an internal municipal social enterprise. Its operating budget was provided by the Town of Grand Falls-Windsor. By comparison, the Townscape Foundation is an arm's length social enterprise in Bonavista. Both municipalities, however, have elected council representatives who serve on the board of directors of these municipal social enterprises. Other board members are drawn from non-profits, educational institutions, industry, and businesses representing the community-at-large. There are ongoing

challenges to recruit new board members. Senior staff of municipal social enterprises report directly to the municipality. Drawing upon these reflections, the following key principles should be considered by small municipalities seeking to develop municipal enterprises.

Theme	Principles
Governance Structures	<ul style="list-style-type: none"> • Include broad community representation on boards to strengthen support and legitimacy. • Ensure protocols are in place to address any potential conflict of interests between municipal leadership and municipal enterprise operations. • Ensure appropriate plans are in place to determine the responsibilities and settlement of assets if the municipal social enterprise is ever closed.

Investing time and resources to carefully develop the governance structures and protocols of municipal social enterprises will pay dividends to ensure the long-term viability and sustainability of these ventures.

4.1.8 Municipal Commitments and Contributions

Municipal commitments and contributions to these municipal social enterprises have included annual subsidies to support operations, financial contributions to projects, dedicated staff for management and strategic operations, and staff support to maintain the building assets. In the case of the EXCITE Corporation, the Town of Grand Falls-Windsor formed a new economic development position dedicated specifically to this municipal enterprise to provide support for developing business plans and funding applications, nurturing partnerships, etc. The EXCITE Corporation also provided in-kind, rent-free space to support major research and development initiatives with universities and some community organizations. The Town of Bonavista has provided annual grants to support the operating expenses of the Bonavista Historic Townscape Foundation, logistical support to obtain heritage assets, as well as matching funds for restoration grants. Based on these observations, the following two key principles will need to be considered during the development of these endeavors.

Theme	Principles
Municipal Commitments and Contributions	<ul style="list-style-type: none"> • Dedicated annual fiscal and staff resources will be needed to sustain the development and operations of municipal social enterprises. • Ensure there are core human resources in place to work on major projects.

Small municipalities, however, will have to carefully manage public expectations for municipal commitments as these resources will be shaped by fluctuating global economies and constantly changing provincial policies and funding models.

4.1.9 Strategies for Use / Distribution of Revenue

Revenues generated from municipal enterprises were used for building and landscape maintenance, renovations, back-up generators, mortgage payments, heritage grants, and townscaping. These decisions were guided by community and economic development goals. As such, small municipalities should adhere to the following key principle.

Theme	Principles
Strategies for Use / Distribution of Revenue	<ul style="list-style-type: none"><li data-bbox="597 510 1317 575">• Ensure a strategy is in place to strategically use revenues generated from municipal enterprises.

4.2 Risk Management

In these small municipalities, risks and liabilities can impact the resiliency and viability of municipal social enterprises that are developed to address community and economic development pressures. However, overall, people we spoke with felt that there would be more significant risks if municipal social enterprises were not pursued. Such risks, for example, included the continued aging of building assets in the community that would have to be demolished. Within this context, this section draws upon the experiences of our two case studies in Newfoundland and Labrador to explore the risk management issues that need attention as small municipalities engage in these types of municipal entrepreneurial endeavors.

4.2.1 Construction Risks

Small municipal enterprises can encounter several risks during the construction and renovation of projects. During the renovation of heritage assets in Bonavista, for example, there were challenges to install windows that met both the heritage status guidelines and the building code. There are also risks with acquiring older provincial or federal government buildings that may have older heating systems, roofs, windows, and other structural components that can substantially increase renovation costs. Prospective business owners and developers may also be unaware of the commitments required to maintain heritage properties.

Theme	Principles
Managing Construction Risks	<ul style="list-style-type: none">• Complete a careful analysis of the structural issues of potential building assets in order to understand future renovation costs before acquiring the building.• Ensure renovations match the building code.• Ensure staff are up-to-date on changes to the building code.• Provide prospective homeowners, business owners, and developers with information about the required commitments to maintain heritage properties.

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.

4.2.2 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.

Theme	Principles
Managing Competitive Risks	<ul style="list-style-type: none"> • Need to manage public expectations that 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).

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.

4.2.3 Financial Risks

Different financial risks were identified in each case study due to the unique focus of activities for each municipal social enterprise. Small municipal social enterprises are enduring financial risks from recessions and poor exchange rates for the Canadian dollar that are affecting the viability of operations for building tenants, and thus, by extension the revenues for the municipal enterprise. There can also be unintended financial risks that unfold from the restoration of heritage assets as this can impact the affordability of homes and properties for local residents. Costs for renovations can quickly increase from the initial budget planning phase to the time when funding has been received. This can increase the financial risks to complete complex restoration projects with limited funding.

Theme	Principles
Managing Financial Risks	<ul style="list-style-type: none"> • Prioritize eliminating the mortgage of building assets. • Create reserve funds to maintain building assets. • Create operational reserve funds to offset financial pressures during recessions. • Attract tenants that have a good Canadian base to avoid pressures from poor exchange rates. • Develop a series of contingency plans as a part of a comprehensive risk management strategy. • May need to revise or alter the scope of the project to respond to escalating cost pressures.

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.

4.2.4 Operational Risks and Liabilities

Both of our case study communities created incubation spaces to nurture the development of business growth and innovative community development processes. The COVID-19 pandemic introduced new operational risks for these municipal social enterprises 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. Small municipal social

enterprises, however, can have limited financial and staff resources. Funding may be focused on executing projects rather than creating a resilient organizational structure. With limited operational funds for the municipal social enterprise, there can be more limited communication and delayed timelines for submitting financial statements. Based on these issues, a number of recommendations should be considered to address operational risks and liabilities.

Theme	Principles
Managing Operational Risks	<ul style="list-style-type: none"> • Ensure there are sufficient resources to sustain organizational operations and general tasks such as communication, financial reporting, marketing, maintaining relationships. • Invest in ongoing networking to identify potential provincial government, non-profit, university, and private sector stakeholders that may become potential tenants of municipal enterprise building assets. • Explore opportunities to diversify tenants in other complementary sectors (i.e. training) to create effective hubs or clusters. • Ensure appropriate tenant agreements are in place. • Ensure conflict protocols are in place.

Low-cost or rent-free space within municipal enterprises was allocated to community groups during economic downturns. As the economy recovers or new opportunities emerge, however, space may need to be reallocated to provide incubation space for other initiatives. Small municipalities will need to be careful with tenant management strategies to avoid negatively impacting the viability of these groups.

4.2.5 Partnership Risks

Partnerships help to ensure municipal enterprises are achieving tangible outcomes for community and economic development. Municipal enterprises have drawn upon several partnerships to support research, innovation, training, and infrastructure to improve the quality of life of local residents (i.e. ACOA, Faculty of Medicine, Memorial University, College of the North Atlantic, National Audiology Centre at Western Ontario and McMaster University, Eastern Health, Central Health, NL Bounce Health Innovation, and First Nations). These partnerships have also been instrumental to recruit and retain health care 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. Shifts in provincial policies are also restructuring regional provincial government services and reducing opportunities for collaboration between the provincial government and municipal enterprises. Provincial government contacts can be displaced and relocated, thus impacting the momentum and viability for collaborative initiatives. Based on these issues, the following principles should be considered.

Theme	Principles
Managing Partnership Risks	<ul style="list-style-type: none"> • 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. • Work collaboratively with post-secondary institutions to develop the human resource capacity of potential partners.

As small municipalities move forward, 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.

4.2.6 Public Expectations

People we spoke with in both case studies felt there were few challenges to manage public expectations during the early stages of developing these municipal social enterprises. Following several rounds of layoffs and closures associated with mill and fishing industries, residents were more interested in the potential outcomes of these initiatives for the well-being of these communities. People were interested in potential employment opportunities for youth.

Theme	Principles
Managing Public Expectations	<ul style="list-style-type: none"> • Complete small initiatives and projects that can demonstrate momentum. • Purchase supplies from local businesses to support municipal enterprise projects to broaden community benefits from these endeavors.

Small municipalities will need to be mindful, however, 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 social enterprises to address community and economic development goals.

4.3 Policy Changes Need to Better Position Small Municipalities

In Newfoundland and Labrador, provincial policies and structural frameworks are impeding the development and viability of small municipal enterprises in a number of ways. In this final section, these issues related to policy and related provincial processes are described in order to explore more strategic policy directions to better position small municipalities as they prepare to pursue and operate more sustainable municipal entrepreneurial initiatives.

4.3.1 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 around Newfoundland and Labrador are hiring economic development officers that have not completed the appropriate certification program to support their roles and responsibilities. The Economic Development Association of Newfoundland and Labrador has been developing a certification program to support the professional development of economic development officers. Second, there has been limited routine interaction between regional economic development staff employed by the Province 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. Based on these issues, the following recommendations should be considered.

Theme	Principles
Building Economic Development Capacity	<ul style="list-style-type: none"> • The provincial government and the Municipalities of Newfoundland and Labrador need to work towards ensuring the requirement of completing a certification program for economic development officers for working in municipal government. • Need to 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. • Need to renew funding for Regional Economic Development Boards.

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.

4.3.2 Access to Capital

Small municipalities have found it difficult to access capital to support municipal social enterprise endeavors. They must demonstrate to provincial and federal agencies, such as ACOA, that such initiatives will be self-sustaining. This can take time to achieve in small, rural regions. Provincial and federal grant programs can also have a narrow focus of what may qualify as economic development. Most notably, investments in quality-of-life amenities 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. Municipalities also lack an understanding about how they can leverage their funds to support arm’s length municipal social enterprises. Municipal funds are considered to be government funds, and thus cannot be used for matching funding to support non-profits. Based on these issues, the following recommendations need more attention to improve access to capital.

Theme	Principles
Improving Access to Capital	<ul style="list-style-type: none"> • Be strategic about leveraging funds from provincial and federal government grant programs. • Provincial legislation needs to provide greater clarity about how municipal social enterprises can access capital. • Provincial and federal grant programs need more flexible criteria for projects that may qualify for economic development grants. • The provincial government needs to provide greater clarity about how municipal revenues may be used to support arm’s length municipal enterprises.

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.

4.3.3 Provincial Policies and Legislation

Provincial policies have impeded the development and operations of municipal social enterprises in a number of ways. As municipalities seek to pursue innovative investments in municipal assets, they must first obtain provincial approval from Service NL for new building projects that may be used to generate revenue. There may be confusion for municipal enterprise initiatives that deal with heritage assets as both provincial designation regulations and municipal heritage bylaws govern those development processes. Drawing upon these issues raised by people we spoke with, two key recommendations should be considered to better position small municipal enterprises in the future.

Theme	Principles
Provincial Policies and Legislation Impacting Municipal Enterprises	<ul style="list-style-type: none"> • Municipalities Act needs to provide greater clarity about the governance and operations of municipal for-profit enterprises and municipal social enterprises.

Theme	Principles
	<ul style="list-style-type: none"><li data-bbox="597 233 1365 331">• Provincial departments need to respond more quickly to municipal inquiries about the power capacity to support new initiatives (i.e. data centres) within municipal enterprises.

The provincial government will need to be mindful that missed opportunities to bring clarity to the legislation guiding municipal entrepreneurialism can undermine the interest and capacity of small municipalities to become more resilient and sustainable in the future.

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.

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