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Item No. 4
Halifax Regional Council
August 17, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by Director

Paul Dunphy, Director of Community Development

DATE: August 3, 2010

SUBJECT: 2010-2011 Discretionary Funding for Business Improvement Districts

INFORMATION REPORT

ORIGIN

During the 2010-2011 business planning and budget process, the Municipality's budget for the Business Improvement Districts' (BIDs) discretionary funding, also known as the *Joint Marketing Initiatives Program*, which is funded from general tax revenue, was reduced from \$135,000 to \$100,000.

On July 22, 2010, staff met with BID representatives and requested that they make a recommendation to staff on how to best distribute the approved funds. The BIDs unanimously passed the following motion: "*The 2010-2011 Joint Marketing Initiative Program funds (\$100,000) shall be distributed across all seven BIDs, this year only, and according to the BIDs respective percent of total levy rate.*"

At the August 3, 2010 Regional Council meeting, a motion by Councillor Adams, seconded by Councillor Mosher, was passed requesting a staff report to explain the method used in applying reductions to BID funding and an explanation in the variance of reductions.

BACKGROUND

There are currently seven (7) Business Improvement Districts (BIDs) located within HRM:

- Downtown Halifax Business Commission (DHBC)
- Downtown Dartmouth Business Commission (DDBC)
- Spring Garden Area Business Association (SGABA)
- Quinpool Road Mainstreet District Association (QRMDA)
- Sackville Drive Business Association (SDBA)
- Spryfield & District Business Commission (SDBC)
- Dartmouth Main Street Business Association (MSBA)

Each one is funded by two main sources:

- Area Rate: The rate is set annually by each individual BID and is subject to Regional Council's approval, as per the *Halifax Charter, 2008*.
- Discretionary Funding: Also known as the *Joint Marketing Initiatives Program*, this fund is set annually by Regional Council through the budget process. Funding must be matched by the BIDs, and targets objectives of beautification, place-making and promotion, maintenance, and public safety. (i.e.: flower baskets; seasonal decorations; graffiti removal; park smart and holiday brochures; website design; art installation and art events; Navigator Program, etc.) Note that this fund is separate from the Community Grants Program. In 2009-2010, this program had a budget of \$135,000. For the 2010-2011 fiscal year, the budget has been reduced to \$100,000.

Discretionary funding has traditionally been allocated in two parts:

- BIDs Outside of the Capital District: Funding for BIDs outside of the Capital District has traditionally been allocated as a "lump" sum of \$10,000 per BID. Once these lump amounts are deducted from the total funding available, the amount remaining is then distributed to the BIDs in the Capital District. Note that the Dartmouth Main Street Business Association (DMSBA) has not yet received this funding, but the Councillor for that area requested such funding (\$10,000) to Regional Council during the last budget deliberations.
- BIDs in the Capital District: Capital District BIDs funding has been allocated based on the percent of their respective levy in relation to the total levy revenues in the Capital District area. For example, a BID that collects 20% of the total levy rate in the Capital District receives 20% of the available discretionary funding to Capital District BIDs. This allocation formula is reviewed annually by the BIDs, and may occasionally vary to accommodate each BIDs capacity to match the funds. If one BID does not use all of its eligible funding, funds are made available to other BIDs with the capacity to match. Finally, eligible projects must be on the "joint initiative" principle, meaning they must include some type of collective support or partnership with the other BIDs in the Capital District.

DISCUSSION

During HRM's 2010-2011 budget and business planning process, numerous budgets and services reductions were required. Amongst these was a reduction in the BIDs discretionary funding from \$135,000 to \$100,000.

Staff met with BID representatives on July 15 and again on July 22, and requested that the BIDs collaboratively make a recommendation on how to best distribute the approved \$100,000 for fiscal year 2010-2011. This approach was in keeping with the operational model that emerged from the Capital District BIDs, which focused on collaboration and joint decision-making.

The Capital District BIDs collectively expressed their concern that albeit new BIDs had been created, there was no formal agreement whereby they would automatically be included in the distribution of funding originally established for the Capital District. Further, that without a corresponding budget increase, additional demand from new BIDs would result in a dilution of impact, further compounded by a budget reduction. Several scenarios for distributing the funds were presented with their respective budgetary impacts on the individual BIDs. The Capital District agreed in principle that, on a one-time basis, discretionary funds be shared among all BIDs based on their proportional share of the funds levied across all seven BIDs.

The three BIDs outside of the Capital District suggested that as in previous years, a fixed amount of \$10,000 be allocated for each BID outside of the Capital District. After a lengthy but constructive debate, the BIDs agreed to distribute the discretionary funding based on their proportional share of the total funds levied, this one time only. All the BIDs also agree to share the costs of the Navigator Program based on that same formula.

Staff, along with the BIDs, considers that this method for distributing funds is fair, given that each BID sets their own area rate, as well as the maximums and minimums payable. In effect, a BID may elect to pay a higher levy and collect more money from their membership. As such, in setting their levy, each BID determines what share of HRM's funding they will receive according to the proportional share formula. Finally, the scope of services provided by each BID drives the organization's annual budget and thereby the amount of revenue they need to generate from their respective area rate.

Therefore, the 2010-2011 discretionary funding will be allocated as per follow. See Table 1.

TABLE 1: 2010-2011 Levy Revenues per BID, percent (%) of total share, and corresponding HRM discretionary funding			
	Levy Revenues	Percent of Revenues Across All BIDs	HRM's Discretionary Funding
CAPITAL DISTRICT BIDS			
Downtown Halifax Business Commission	\$735,800	48.9%	\$48,900
Spring Garden Area Business Association	\$278,186	18.5%	\$18,500
Downtown Dartmouth Business Commission	\$190,076	12.6%	\$12,600
Quinpool Road Mainstreet District Association	\$75,408	5.0%	\$5,000
BIDS OUTSIDE OF THE CAPITAL DISTRICT			
Sackville Drive Business Association	\$81,119	5.4%	\$5,400
Spryfield & District Business Commission	\$75,185	5.0%	\$5,000
Dartmouth Main Street Business Association	\$68,533	4.6%	\$4,600
TOTAL	\$1,504,307	100%	\$100,000

It should be noted that the allocation formula agreed to by the BIDs was based on the understanding that it would be a one-time solution only. Further review and discussion regarding the purpose of this program and related policy will be taking place during the upcoming year.

BUDGET IMPLICATIONS

The \$100,000 funding budget is held in Account #C771- 6919 BIDs Special Projects.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

Not applicable. This is an Information Report.

ATTACHMENTS

None.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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