

Starter Company Program Expansion

| | |
|--------------------------|---------------------------------------------------|
| Date: | August 28, 2015 |
| To: | Executive Committee |
| From: | General Manager, Economic Development and Culture |
| Wards: | All |
| Reference Number: | |

SUMMARY

This report is to recommend approval of an adjustment to the 2015 Budget Committee Recommended Economic Development and Culture (EDC) Operating Budget and the 2016 Operating Plan. This is a time sensitive issue to ensure delivery of the provincial government's Starter Company Program in the City of Toronto. Other than the involvement of current City staff, this program is 100% funded by the Province of Ontario. This report also recommends that approval be given for the General Manager of Economic Development and Culture to negotiate and enter into an agreement with Ministry of Economic Development, Employment and Infrastructure (MEDEI) for the purpose of delivering the program.

RECOMMENDATIONS

The General Manager, Economic Development and Culture recommends that:

1. City Council authorize the General Manager of Economic Development and Culture to negotiate and execute an agreement with the Ministry of Economic Development, Employment and Infrastructure for the expanded delivery of the Starter Company Program.
2. City Council approve an increase to the Budget Committee Recommended 2015 Operating Budget for Economic Development and Culture of \$435,000 gross, zero net, funded from a grant from the province, conditional upon conclusion of an agreement with the Province for funding through the Starter Company Program.

3. City Council direct the General Manager of Economic Development and Culture include in the 2016 Operating Budget submission for Council consideration, an increase for the 2016 portion of this grant of \$1,325,000 gross, zero net.

Financial Impact

The Ministry of Economic Development, Employment and Infrastructure (MEDEI) will provide funding to the City of Toronto (EDC) to expand the delivery of the Starter Company Program for two years. This program aims to address the youth unemployment rate by providing training and financial aid to successful program candidates to start a business. The program will be managed and executed by two existing City staff working collaboratively, one in EDC and one in Toronto Employment and Social Services (TESS), as the City's contribution to the program. This supports current activities in each of these divisions. Additional training and mentoring will be delivered by contracted sources. The funding is summarized below:

2015 Provincial program funding grant of \$435,000

\$60,000 – contracted trainers, specialized contractors, and mentors

\$375,000 – Participant Grant Funds – 75 participants @ \$5,000 per grant

2016 Provincial program funding grant of \$1,325,000

\$400,000 – contracted trainers, specialized contractors, and mentors

\$925,000 – Participant Grant Funds – 185 participants @ \$5,000 per grant

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on January 29, 2014 City Council authorized the General Manager of Economic Development and Culture to enter into a two-year agreement to deliver the Starter Company Program on behalf of the Province of Ontario (see: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX37.1>).

At its meeting on May 5, 2015 City Council requested the General Manager, Toronto Employment and Social Services and the General Manager, Economic Development and Culture, to increase access for youth in receipt of Ontario Works and youth living in Neighbourhood Improvement Areas to entrepreneurship programming (see <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.ED3.1>).

ISSUE BACKGROUND

The Starter Company Program is a key part of Ontario's comprehensive Youth Jobs Strategy that was announced in the 2013 Ontario Provincial budget and extended in the 2015 budget. The Youth Jobs Strategy aims to help young people find jobs or start their

own business while helping employers find the skilled workers they need to thrive in the global economy.

The Starter Company Program is delivered by Small Business Enterprise Centres (SBECs) which are part of Ontario's Network of Entrepreneurs (ONE - including City of Toronto EDC - Enterprise Toronto). The Starter Company Program provides mentoring, training and a \$5,000 grant for youth aged 18 to 29 to start, grow or buy a small business. As part of the program, young entrepreneurs with a business idea work with their local SBEC (Enterprise Toronto) to receive training, mentoring and assistance in developing their business plan, as well as launching and operating their business.

Under the original agreement to deliver Starter Company, MEDEI had allocated funding to the City of Toronto to service 45 young entrepreneurs over two years through the end of 2015 with training, mentoring and grants. Staff quickly exceeded this original target and, with added funding from the Province, served a total of 75 young entrepreneurs within one year. This resulted in 75 business formations and 86 jobs. Given the response to the program, MEDEI would like to provide increased funding to service an additional 230 young entrepreneurs through the end of 2016.

COMMENTS

The objectives of the Starter Company Program align with EDC's core function of supporting small businesses, specifically the goal of supporting job creation, business formation and investment growth as highlighted in *Collaborating for Competitiveness*.

The expanded delivery of Starter Company will allow the City of Toronto to assist more young entrepreneurs in starting and expanding their businesses. The Starter Company Program provides the following:

- Training and business skills development to help youth prepare to run their own business;
- Advice and mentorship from local business leaders to help get the business up and running;
- Experience running a business that will better position youth to obtain more traditional financing, such as a bank loan, if required; and,
- A \$5,000 grant to kick-off a new business or expand an existing business.

The City of Toronto is provided with funds to administer the Starter Company Program within its boundaries. The City of Toronto has the following responsibilities:

- Adapting the Starter Company framework to respond to local needs and opportunities for young entrepreneurs;
- Administration of a mentoring program including mentor recruitment, training, networking events, tracking of mentoring relationships, reporting etc.;
- Coordination, assessment, and tracking of monthly mentoring meetings;

- Ensuring that an appropriate conflict of interest strategy is established;
- Promoting Starter Company, including outreach to vulnerable youth;
- Recruitment, intake and training of applicants to ensure Program targets are met;
- Assistance in the creation of a learning plan, business plan and business milestones/goals, plus other supports for participants within the Starter Program;
- Collection of status reports from participants, plus reporting on and tracking of participant progress within the Program; and
- Reporting of businesses started, job creation data and other identified performance measures.

Focus On At-Risk Youth

One demographic that was underserved during the servicing of the initial 75 clients were Ontario Works clients and young people within Neighbourhood Improvement Areas. In order to increase the number of young people that receive Ontario Works or are located in Neighbourhood Improvement Areas that use the program, TESS and EDC will collaborate on an enhanced delivery of the Starter Company Program for these clients. This will include:

- Enhanced outreach and marketing to these communities;
- A pre-training program to assist these clients in applying to Starter Company;
- Additional business fundamentals training and one-on-one advisory services; and,
- Provide a shared office space at TESS's Crossways Employment Centre for these clients to utilize for work.

CONTACT

Chris Rickett
Manager, Entrepreneurship Services
Economic Development and Culture
Tel: 416-395-7474
Email: cricket2@toronto.ca

Mary Baratta
Director, Employment and Social Services
Employment and Social Services
Tel: 416-392-8433
Email: mbaratt@toronto.ca

SIGNATURE

Michael H. Williams, General Manager
Economic Development and Culture