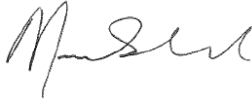




# INFORMATION REPORT

<b>TO:</b>	Mayor and Members City Council
<b>COMMITTEE DATE:</b>	February 2, 2022
<b>SUBJECT/REPORT NO:</b>	Hamilton Farmers' Market Corporation Governance and Operational Review Update (PED22029) (Ward 2)
<b>WARD(S) AFFECTED:</b>	Ward 2
<b>PREPARED BY:</b>	Raymond Kessler (905) 546-2424 Ext. 7019 Julia Davis (905) 546-2424 Ext. 2632
<b>SUBMITTED BY:</b>	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Staff prepare a report that provides a preferred governance and operating model for the Hamilton Farmers' Market Corporation, which prioritizes value-for-dollar invested by the City as the sole voting member, role clarity, enhanced governance and the avoidance of any potential conflicts of interest.

## INFORMATION

### HISTORICAL CONTEXT

This Report provides a summary of the work done on the Hamilton Farmers' Market (the Market) governance and operations, with an update on the current review being undertaken.

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: Hamilton Farmers' Market Corporation Governance and Operational Review Update (PED22029) (Ward 2) - Page 2 of 5**

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In December 2014, the City of Hamilton incorporated the HFMC, a not-for-profit entity in accordance with Section 203 of the *Municipal Act* for the purpose of operating the Market. Through this incorporation the City of Hamilton was appointed the sole voting member of the HFMC, and that:

- Is responsible to elect or appoint the Board of Directors who are responsible to manage and direct the business affairs of HFMC;
- Considers the annual operating and capital budget submissions which are provided by HFMC and has the authority to approve, or amend, the budget as they deem appropriate;
- Reviews the Annual Report of the HFMC and holds the Annual General Meeting which includes the delivery and or update of strategic business plans; and,
- Amends the Operating Agreement or corporate governance of HFMC as required.

Beginning in the fall of 2019, the fifth anniversary since implementing this governance model, City staff undertook an evaluation of the governance model of the HFMC. This review, conducted by 2WA Consulting Inc., reviewed documentation related to the Board (operating agreements, by-laws, procedures and Board minutes), interviewed Board Members, and researched other farmer's markets. A report was produced that outlined some areas of concern with the Board's current operations and provided recommendations to be considered. On September 28, 2020 a meeting was held with the HFMC Board to review the document, following which the HFMC Board provided a response letter which indicated concern with the process and many of the recommendations.

On November 23, 2020, the City as sole voting member of the HFMC considered the recommendations included in Hamilton Farmers' Market Governance Report (CM20010) and directed staff to prepare a report that provides a preferred governance and operating model for the Hamilton Farmers' Market Corporation, which prioritizes value-for-dollar invested by the sole voting member, role clarity, enhanced governance and the avoidance of any potential conflicts of interest. This direction also followed a deferred motion from the June 15, 2020 General Issues Committee which asked staff to investigate a third party operator for the Market by issuing a Request for Proposal and reporting back to the General Issues with those results and to utilizing the governance model review research that is currently under way, to inform the Request for Proposal scope.

## **CURRENT STATE**

Staff proceeded to issue a Request for Proposal in early May 2021 to solicit qualified submissions from firms to undertake this governance and operational review work. The successful proponent, Optimus SBR, began evaluation on the HFMC through analysis, consultation and benchmarking in September 2021. The first phase of the Hamilton

Farmers' Market Corporation Governance and Operational Review resulted in a Current State Report, attached to Report PED22029 as Appendix "A". The methodology used to compile this Report involved extensive documentation review (operating bylaws, stallholder agreements, minutes of open board meetings, staff reports, media coverage, etc.), stakeholder engagement through interviews, surveys and focus groups, and a jurisdictional scan of five comparator markets. It contains observations and assessments of the data, benchmarking, and stakeholder input, and provides an overview of the current state of the Market. It also makes recommendations toward pursuing the future governance and operational options that will form the basis for the final Report.

A summary of the governance and operational findings for the HFMC included in the Current State Report are:

### **Governance Findings**

- The strategic plan for the Market expired towards the end of 2020 – a new plan has not been created;
- The Market has been operating with a shared governance structure where the City of Hamilton is supported by a Board of Directors, City Contract Manager and the Market Manager and his team. The City approves key Board decisions, e.g., the budget of the Market;
- The authority of two integral stakeholders: The Board of Directors and the Market Manager, have been outlined in the Governance Policy of the Board. However, over the past few years, the practices of the Board have evolved and deviated from its outlined role to include day-to-day operations;
- The Board is exposed to conflict of interest due to its composition which includes vendor directors;
- The Market is strongly dependent on the in-kind and financial support from the City of Hamilton;
- Feedback collected from City Council indicates a desire for less municipal involvement in the governance and operations of the Market; and,
- Stakeholders indicated that continuous negative public relations related to the dysfunctionality of governance and operations over the past few years have impacted the brand of the Market.

### **Operational Findings**

- The maintenance of the infrastructure that houses the Market and the availability of resources such as ventilation, common storage, and electrical power has been raised as a concern;
- Accessibility to the Market for customers has been identified as a pain point. The downtown area is in transition and has been impacted by vagrancy;

- Feedback from vendors indicates a need to adjust the operating hours of the Market to attract more customers such as “evening shoppers” and “post-work shoppers”;
- Customer experience has been identified as a key area of focus for vendors. Little space for customers to sit and to interact with others over coffee or food;
- Feedback collected suggests the brand of “The Farmers’ Market” is not well represented with less than 5% of the vendor portfolio representing growers; and,
- The financial sustainability is big cause of concern for the Market with a heavy dependency on the City of Hamilton. The expiry of the sponsorship with Meridian puts pressure on the Market to find alternate revenue streams to make up for \$125,000 which will not be available going forward. Without sponsorship and the levy from the City, the current operations of the Market recover approximately 69% of the direct costs, essentially being the stallholder fees.

The Current State Report (attached as Appendix “A” to PED22029) outlines four potential models to be evaluated for the future governance and operations of the Market:

### **1. Incorporation / Not-for-Profit**

- This option represents the current business model of the Market, with improvements. This model will continue to depend on the City or other sponsors for support both financially and in-kind until a time when financial sustainability can be achieved;
- The Market would be run by a Board and Market Manager. The vision of the Market would be defined by the Board with operational management and support from the Market Manager;
- The vendors would have input but no decision-making authority;

### **2. City Owned and Operated**

- The City of Hamilton would repatriate the Market. City Staff would run the operations with support from an Advisory Board. The City would define the vision and strategic plan for the Market;
- The Advisory Board would consist of City staff, Councillors, qualified citizens, and vendor representation;

### **3. Partially Privatize**

- The Market would be operated by a private sector partner, under terms and conditions of a contract with the City;
- The City would recover its costs for the facilities and any services it provided;
- The vision and strategic plan for the Market would be jointly agreed upon by the City and the private sector partner; and,

#### **4. Fully Privatize**

- The City of Hamilton would in essence sell the HFMC to an arm's length organization – this organization could be any manner of for-profit, not-for-profit, co-operative, or vendor association;
- The City would lease the current Market space - the City would have no other involvement in the operations of the Market.

#### **NEXT STEPS**

With the Current State Report being compiled and drafted, staff will continue to work with the Optimus SBR team to implement the second phase of the project which will include facilitating additional private sector consultation and outreach to determine the best future state governance and operations model to recommend for the Market. Recently staff have also been working with the consultant on adding an additional element to the review. The location of the Market is within an area of the downtown core which will be undergoing substantial change. Engagement with surrounding partners will be vital to understanding ideal future state models under consideration.

As staff seek to achieve City Council's objectives for the governance and operations review, the consultant's next steps will be to facilitate working groups and consultative sessions focused on the proposed future state models outlined in the Current State Report, with the goal of determining which of these would be the most effective to adopt and implement for the future success of the Market.

During the consultation to date, one matter that was raised that was outside the scope of the current review was the questions of the vision, identity and purpose of the Hamilton Farmers' Market and its role within the community. As an institution in Hamilton since 1837, having a broader understanding of the vendor, customer and community's vision for the Market beyond the work that was conducted in 2012, may be desirable. Should Council desire to revisit this question, staff would pause this second phase of the current review and turn its attention to separate public consultation.

#### **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" - Governance and Operational Review: Hamilton Farmers' Market Corporation Current State Report