



Governance and the Community Board

2024 BIA Conference – April 29, 2024
Patrick J. Gauch, MBA, LL.M., ICD.D

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Agenda

- Welcome
- Governance and the Role of the Board of Management
- Profile of a Director
- Board Meetings
- Roles and Responsibilities
- Financials
- Governance Board and an Operational Board
- Questions

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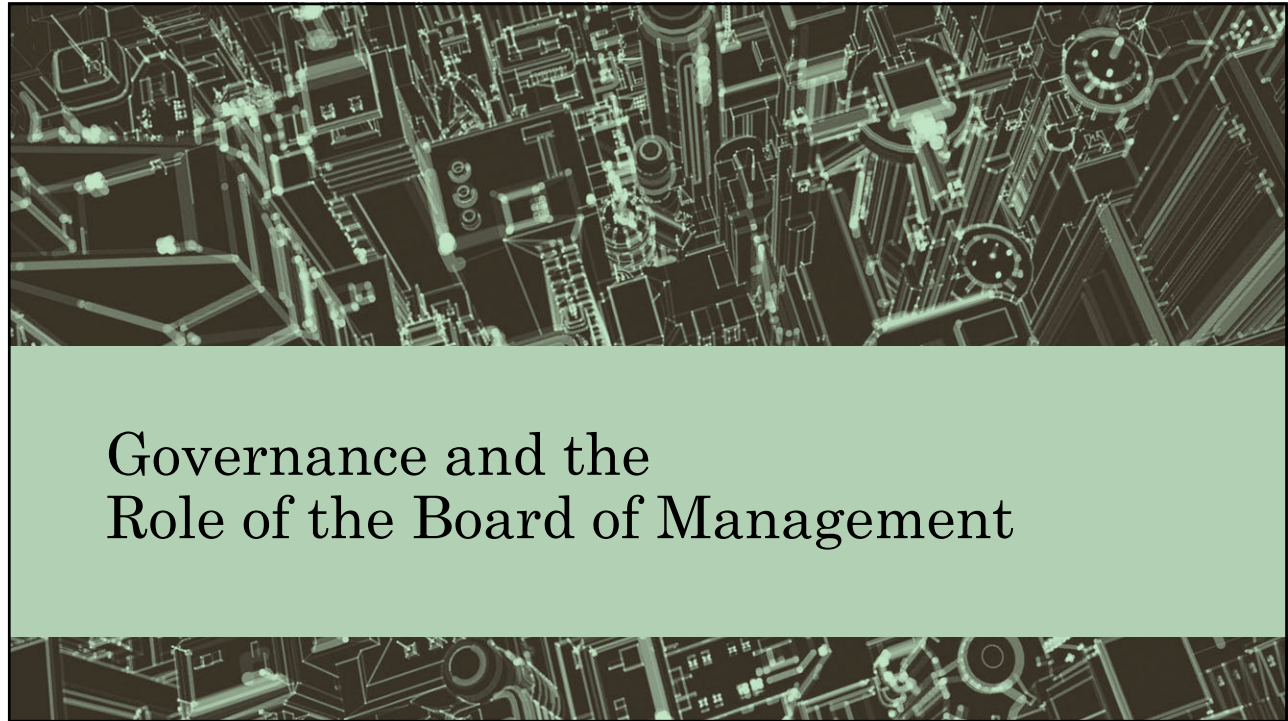


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Expected Outcomes

- Provide BIA Board members and Management with the necessary information to help them become effective contributors at the Board table as quickly as possible
- Enhanced Board member understanding of roles and responsibilities:
 - Why you are
 - What you are here to do
 - How you should comport yourself
- Enhanced level of comfort and understanding with Board protocols, procedures and processes
- Understand the difference between a Governance Board and an Operational Board

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Governance and the Role of the Board of Management

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Governance Framework

- **Legislation:**
 - Municipal Act, 2001, S.O. 2001, Chapter 25
 - Business Improvement Areas, Section 204 – 215
 - City of Toronto Act, 2006, S.O. 2006, c. 11, Sched. A
 - Toronto Municipal Code, Chapter 19, Business Improvement Areas
- **By-Laws:**
 - Prepared by the Board and approved by the Membership
- **Governance Policies:**
 - Developed by Management and approved by the Board
 - Are different than operational policies that are approved by Management

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Governance Framework

- The Board may not delegate the following powers to a committee of directors or the Chief Staff Officer:
 - To submit to the members any question or matter requiring the approval of the members.
 - To fill a vacancy among the directors or in the position of auditor or of a person appointed to conduct a review engagement of the corporation.
 - To appoint additional directors.
 - To issue debt obligations except as authorized by the directors.
 - To approve any financial statements.
 - To adopt, amend or repeal by-laws.

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Governance Framework

- Two Principal Legal Duties:
 - A duty to exercise the care, diligence, and skill of a reasonably prudent person (also referred to as the duty of care); and
 - A duty to act honestly, in good faith, and in the best interests of the organization (also referred to as the fiduciary duty).
- Must keep properly informed of the workings of the organization, review all documentation thoroughly and ask the right questions
- Can be held personally liable if the statutory obligations of the organization are not met

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The Pillars of Good Governance

- Transparency
- Accountability
- Independence
- Predictability
- Participation

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Profile of a Director

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Director Competency Profile

➤ Core Competencies

- Critical Judgment and Decision-Making
- Interactive Communication
- Leading and Managing Change
- Strategic Thinking

➤ Complementary Competencies

- Analytical Thinking
- Business Perspective
- Relationship Building

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How to be an Effective Director

- Ask probing questions
- Look at the big picture and bring an external perspective
- Learn the culture and protocols of the Board
- Do your homework – come to the meetings prepared
- Use the “smell test” / good judgment
- Commit to spend the time required to be effective
- Open minded

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How to be an Effective Director

- To empower people to carry out objective
- Understand issues
- Effective listener
- Ask probing questions / open to other opinions
- Ability to gather information from members
- Assess to documents – due diligence
- Make decisions
- We have a history – will impact future
- Continuity

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General Decorum and Expectations

- Business casual dress – more business-like attire is encouraged when we are welcoming other Boards or meeting members
- Be on time for the meetings and protect the dates identified for the full year's worth of meetings
- Plan your travel so that you are available for the full agenda
- Maintain confidentiality of meeting discussions (especially in In-Camera sessions)
- Avoid distracting side discussions or hallway discussions – the content of the meeting should take place with everyone involved

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How the Meetings Function

- The Chair leads discussion, not to control the meeting but to ensure that everyone has a chance to speak.
- Questions are directed through the Chair and the Chair will keep a list of those who wish to speak and will call on them in order.
- A motion will be tabled and seconded and then discussion will be invited.
- Board briefing materials will indicate whether a decision is required on a given agenda item.
- Board briefing materials are generally provided one week in advance of the meeting.
- Before the meeting, any questions or items for clarification can be addressed by contacting the Chair and/or the Chief Staff Officer.

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Use of the Consent Agenda

- To make the most effective use of time at Board meetings, items of an administrative or information-only nature are included in the Consent Agenda.
- A single motion approves all items in the Consent Agenda.
- Directors may request that an item be pulled out of the Consent Agenda for dedicated discussion.
- Directors may also request that recurring items move to the Consent Agenda.

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Conflicts of Interest

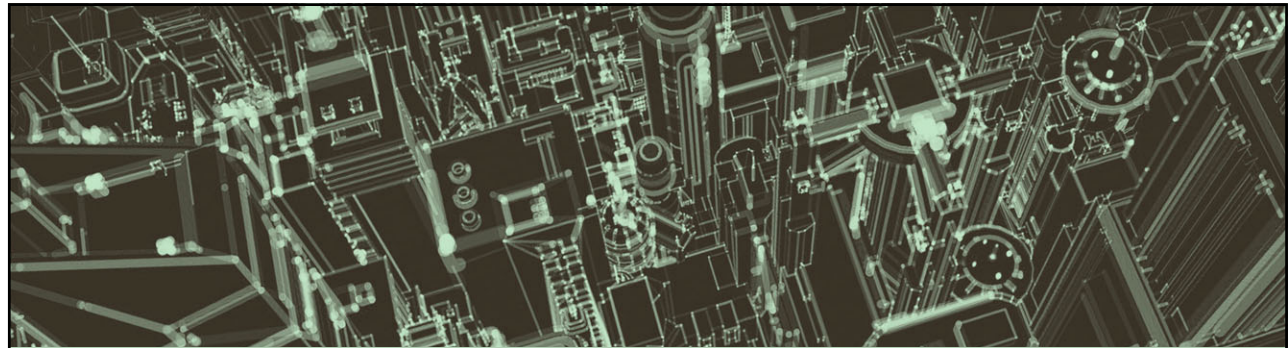
- If possible, conflicts should be brought to the Chair's attention in advance of the meeting.
- The Chair will ask at the beginning of each Board meeting if any conflicts exist. This should be a standing item on every agenda.
- The Board will collectively determine if a conflict does indeed exist and, if so, what actions are required on the part of the affected Director, up to and including withdrawal from any further discussions on the subject.

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Committees

- There are several Committees that the Board can constitute:
 - Finance and Audit
 - Governance
 - Nominating
 - Beautification
 - Marketing and Promotion
 - Business Development
 - Tourism
 - Revitalization Projects
 - Hiring Committee (Chief Staff Officer Selection)
- All require specific Terms of Reference

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Roles and Responsibilities



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Officers / Executive

- Typically, Boards have the following Volunteer Officers
 - Chair
 - Vice-Chair
 - Treasurer
 - Secretary
 - Committee Chairs
- Staff Officers (paid professional staff)
 - Chief Staff Officer – Executive Director, President, CEO, COO

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Staff / Board Roles and Responsibilities

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|--|--|
| <ul style="list-style-type: none"> • Strategic Direction <ul style="list-style-type: none"> • Establish and approve | <ul style="list-style-type: none"> • Strategic Direction <ul style="list-style-type: none"> • Establish and approve – Board |
| <ul style="list-style-type: none"> • Provide Leadership in Development | <ul style="list-style-type: none"> • Provide Leadership in Development – Staff |
| <ul style="list-style-type: none"> • Dispute Resolution | <ul style="list-style-type: none"> • Dispute Resolution – Board |

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Staff / Board Roles and Responsibilities

- | | |
|--|--|
| <ul style="list-style-type: none"> • Policy <ul style="list-style-type: none"> • Initiation • Development • Approval • Implementation • Administration • Effectiveness • Dispute Resolution | <ul style="list-style-type: none"> • Policy <ul style="list-style-type: none"> • Initiation – Board/Staff • Development – Staff • Approval – Board • Implementation – Staff • Administration – Staff • Effectiveness – Board • Dispute Resolution – Board |
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Staff / Board Roles and Responsibilities

- | | |
|---|---|
| <ul style="list-style-type: none"> • Program <ul style="list-style-type: none"> • Initiation • Development • Approval • Implementation • Administration • Effectiveness • Dispute Resolution | <ul style="list-style-type: none"> • Program <ul style="list-style-type: none"> • Initiation – Board/Staff • Development – Staff • Approval – Board • Implementation – Staff • Administration – Staff • Effectiveness – Board • Dispute Resolution – Board |
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Key Concepts

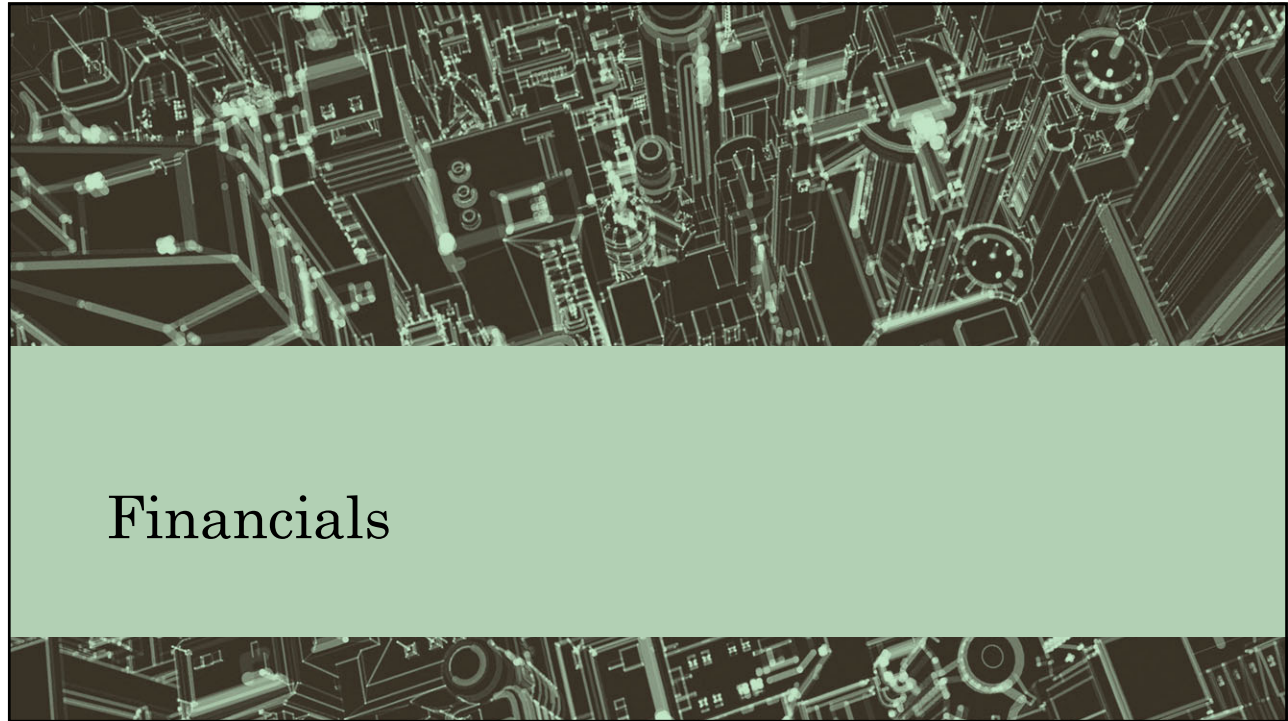
- The Director Rule
 - Nose In – Fingers Out
 - The board's role in operations is to empower operations through clarity regarding risk, desired organizational impact, and establishing any boundaries on operations.
 - An important dimensions of board governance starts with strategic foresight and the leadership of specifying expected organizational outcomes. The board has a significant responsibility and opportunity to really drive the organization to critical impacts now and for the future.
- Board = where to go
- Staff = how to get there

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Key Performance Indicators

- What gets measured gets done
- Outcome vs. output based
- Three aspects of the association:
 - Strategic Direction
 - Board effectiveness
 - Operational

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Financial Reporting

- Annual business plan with supporting operational budget
 - Prepared by staff, reviewed and approved by Finance and Audit Committee and recommended to Board for approval
- Quarterly financial statements – at the first Board meeting following the quarter
 - Prepared by staff, reviewed and approved by Finance and Audit Committee and recommended to Board for approval
 - Statement of Financial Position
 - Statement of Operations
 - Management discussion and analysis report

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Financial Reporting

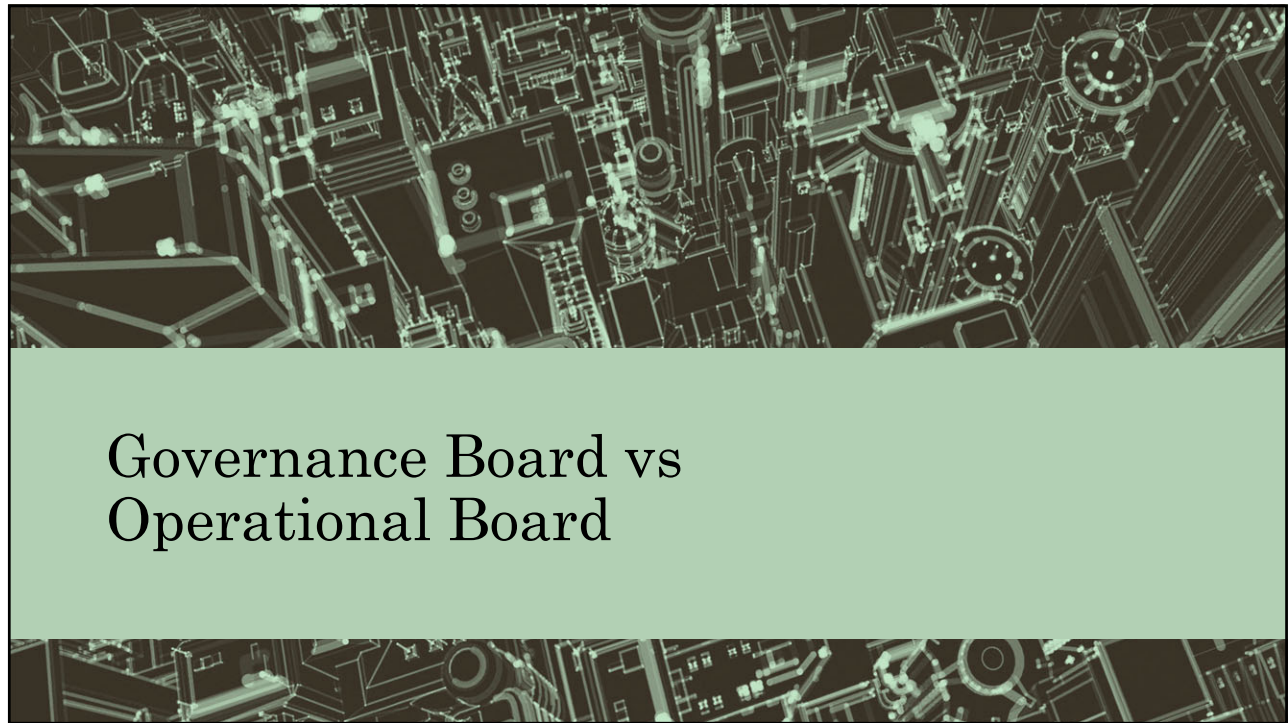
- Who is your external Auditor?
- Depending on the size of the organization, you may have an audit engagement or a review engagement
 - Audit engagement: The auditor must understand the company's internal control systems and perform verification, substantiation, inquiries, and analytical procedures.
 - After gathering the appropriate evidence through the abovementioned procedures, the auditor expresses an opinion on whether the financial statements are prepared in accordance with the applicable financial reporting framework, and if they paint a true picture of the financial position of the company.
 - Review engagement: The auditor performs analytical procedures to gain a better understanding of the figures. A review engagement is less intensive in terms of the procedures performed by the auditor. Therefore, the auditor cannot express an opinion on the fairness of the financial statements.

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Financial Reporting

- Annual external audit or review
 - Auditor presents both the Audit/Review Plan and Audit/Review Results to the Finance and Audit Committee for approval
 - Audit/Review Results presented to the Board with the recommendation that the Board approve the results for presentation to the membership at the Annual General Meeting
 - Best Practice – Organizations should change Auditors every five to seven years.

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Governance Board vs Operational Board

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Governance Board

- A governing board of directors is mainly focused on governance. A governing board sets the direction for the organization and the staff carries it out, including regularly reporting back to the board on progress.
- The role of a governing board is to provide the oversight, accountability, and checks and balances that ensure a nonprofit reaches its goals and remains sustainable.

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Operating Board

- An operating board of directors has operational responsibilities. This means board members are responsible for not only setting organizational direction but also carrying them out.
- In a working board, there may be little distinction in roles between what a staff or board member would traditionally do. Board members may lead programs, manage day-to-day logistics, and directly manage non-executive staff members (such as a volunteer coordinator or office coordinator).

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Implications for a BIA

- BIAs can be large complex organization with \$3MM to \$5MM operating budget and professional staff to less than \$500K organization with one or two employees.
- BIAs are the classic example of a local community Board
- Make sure that Directors don't prioritize operational responsibilities over their governance responsibilities.
- This makes the Chair's role more complex
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Questions

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About the Speaker

- **Patrick Gauch, MBA, LLM, ICD.D** is a collaborative and consultative leader and seasoned executive with experience in the not-for-profit, corporate, and academic sectors. Patrick brings a wealth of experience as a Corporate Director serving on over fifteen boards in the private, not-for profit and municipal sectors over the last 25 years where his areas of expertise include financial management, human resources, operations, and governance.
- Currently, Patrick is currently on the Board of Supply Chain Canada (Treasurer and Chair, Finance and Audit Committee) and SPAO: Photographic Arts Centre, Governance Professionals Canada and is Chair of the Board Nominating Committee for the Human Resources Professionals Association.
- You can contact Patrick at **pgauch@rogers.com**

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