



E-Comm Governance Changes

SHAREHOLDER ACTION GUIDE

For E-Comm's Local Government and Agency Shareholders

Your organization's guide to the next steps in reviewing and approving E-Comm's proposed changes to its corporate and board structure and financial model

July 4, 2024

E-COMM GOVERNANCE CHANGES – SHAREHOLDER ACTION GUIDE:

WHAT’S HAPPENING?

E-Comm 9-1-1 is proposing 10 important governance changes to its corporate and board structure, as well as its financial model, to better meet the needs of its shareholders, as well as the local governments and public safety agencies that use its services.

These changes need to be reviewed and eventually approved by each of our shareholders, including your local government or agency.

WHO ARE E-COMM’S SHAREHOLDERS?

E-Comm has 26 Class A and 16 Class B shareholders.

Class A shareholders are the local government and agency users of E-Comm’s Lower Mainland radio system. Class B shareholders are local governments that have reserved their interest in joining one or more of their agencies onto E-Comm’s radio system in future.

Shares are only allocated to users of the radio system and not to users of the other 9-1-1 and public safety call-taking services that E-Comm is better known for providing.

WHY ARE CHANGES NEEDED?

E-Comm has grown rapidly since it was formed 25 years ago. It began as a regional emergency communications service provider, to operate a radio network for police, fire and ambulance in the Lower Mainland, and to provide 9-1-1 and public safety call-taking services.

Today, it serves local governments and public safety agencies across B.C., yet its corporate and board structure, and funding model, have not changed to keep pace.

WHAT’S WRONG?

E-Comm’s structure presents many challenges for our shareholders, and the local governments and agencies who use our call-taking services (we refer to clients as our “partners”):

- A board that is too big and doesn’t have the specific traits needed to meet the demand for corporate oversight and accountability;
- Potential for director conflicts across different service areas;
- Inequitable representation and lack of opportunities for input from partners who use E-Comm services;
- Service delivery challenges, resulting from deficiencies in E-Comm’s operational and financial models; and
- Increased financial risk for E-Comm’s shareholders.

WHAT ARE THE CHANGES?

An independent governance review, conducted by Deloitte, consulted with 80 different E-Comm stakeholders and representatives from all of its shareholder organizations, including yours.

The review identified 10 key changes to strengthen E-Comm's governance and financial model.

Corporate structure and board governance:

- 1) Implement a new governance structure (including a streamlined Board).
- 2) Refine the use of representative service governance bodies, such as User and Service Committees with member-appointed representatives.
- 3) Propose revisions to Board and Management Committees to support enhanced decision-making and oversight.
- 4) Create a shareholder Nominating or Screening Committee to identify and approve new Board Director candidates.
- 5) Enfranchise all users regardless of regional geography by making them shareholders (rather than the current state in which only radio users are Class A shareholders).
- 6) Seek Board, member and ministerial approvals, as required, of proposed changes to the governance structure and articles/Members' Agreement.
- 7) Refine the Board agenda, cycle, materials, procedures, and policies, including a formal Delegation of Authorities.

Financial governance:

- 8) Redesign the operating cost/budgeting model to provide greater equity and transparency by changing the cost and capital allocation processes and pricing by type of service.
- 9) Develop a streamlined service delivery and pricing process to drive stronger economies of scale and efficiency in the governance, pricing, and service delivery processes.
- 10) Develop investment funding and operating cost forecasting strategies to provide greater clarity of future costs and remove unexpected fluctuations from the pricing/funding models.

WHAT ARE THE KEY BENEFITS?

E-Comm is improving public safety for British Columbians, by becoming a better partner and emergency communications services provider.

We are doing this through:

- *Stronger governance and oversight of our operations;*
- *Equitable representation for all our service-user partners;*
- *Greater fairness and transparency in our pricing;*
- *Reduced financial risk for our shareholders and local government taxpayers;*
- *Better services for all.*

WHICH CHANGES REQUIRE SHAREHOLDER APPROVAL?

The changes that require shareholder approval are primarily those involving E-Comm's board and corporate structure. Some financial changes to E-Comm's operating costs, budgeting and pricing may be made at the board level, while some may require shareholder approval.

WHEN WILL THESE CHANGES HAPPEN?

The proposed governance changes to E-Comm's board and corporate structure will not be fully implemented until June 2025, after review and approval by shareholders. The changes to E-Comm's financial governance are still in development and the approach and timing of these changes will be communicated in the fall of 2024.

This phased review and approval process will allow time for shareholders to evaluate and request additional information on the proposals, prior to providing approval in spring 2025.

WHAT ARE THE APPROVAL STEPS FOR SHAREHOLDERS?

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| Jul.-Aug. 2024 | <i>Phase 1) Review and preparation</i> | <ul style="list-style-type: none"> • Review proposed corporate structure and board governance changes and rationale. • Identify your shareholder representative to vote your organization’s share at upcoming meetings. • Determine your organization’s process to approve the proposed governance changes. • Advise E-Comm of any additional questions or information you require to support this decision. |
| Fall 2024 | <i>Fall Shareholder Consultation Session</i> | <ul style="list-style-type: none"> • Provide feedback and advice on the direction of the proposed corporate structure and board governance changes. • Review the proposed approach for the financial governance changes. • E-Comm will then prepare the implementation measures needed to enact the corporate structure and board governance changes, for consideration by shareholders at the spring 2025 Special General Meeting (SGM). |
| Oct. 2024 – Feb. 2025 | <i>Phase 2) Approval of Changes</i> | <ul style="list-style-type: none"> • Review the implementation measures provided by E-Comm after the fall Shareholder Consultation Session, including proposed amendments to the “Members’ Agreement” and E-Comm Articles. • Review the proposed approach and timing of the financial governance changes. • Advise E-Comm of any additional questions or information you require to support this decision. • Complete internal approval of the measures. |
| Spring 2025 | <i>Spring Special General Meeting (SGM)</i> | <ul style="list-style-type: none"> • Approve the implementation measures to enact the corporate structure and board governance changes. • Approve the implementation measures to enact the financial governance changes (if it is determined that shareholder approval is required). • E-Comm will then establish new service and user committees, board committees and a screening committee, to recommend the slate of directors to be presented to shareholders at the June 2025 AGM. |
| Mar. – May 2025 | <i>Phase 3) Implementation</i> | <ul style="list-style-type: none"> • Screening Committee will vet the slate of directors to be recommended for approval at the June 2025 AGM. |
| June 2025 | <i>AGM</i> | <ul style="list-style-type: none"> • Approve directors to new E-Comm Board. |

WHAT DO SHAREHOLDERS NEED TO DO NOW?

E-Comm’s fall “Shareholder Consultation Session” will provide an opportunity for shareholders to provide feedback and advice on the direction of the proposed corporate structure and board governance changes. In advance of that session, shareholder organizations need to:

1) REVIEW PROPOSED GOVERNANCE CHANGES AND RATIONALE.

The governance review report by Deloitte and other materials are available on the E-Comm website here: <https://www.ecomm911.ca/transformation/governance/>

2) IDENTIFY YOUR SHAREHOLDER REPRESENTATIVE TO VOTE YOUR ORGANIZATION’S SHARE AT THE SPRING SPECIAL GENERAL MEETING.

This shareholder representative is up to your organization to determine. This individual could be one of your organization’s representatives on the E-Comm Board of Directors, which would be ideal given their familiarity with the governance review recommendations. Or it can be someone else entirely.

3) DETERMINE YOUR ORGANIZATION’S PROCESS TO APPROVE THE PROPOSED GOVERNANCE CHANGES.

This approval process is up to your organization to determine. For some, it may be a decision of the city manager or agency chief, in consultation with legal staff, for the information of the council. For others, it may be a decision of the council or board.

E-Comm recommends that your organization consider forming a small team, including your E-Comm board director appointee and a legal staff representative, to review the changes, and recommend an approval approach.

E-Comm assesses that the feedback from our shareholders on the direction of the governance changes to be provided at the fall Shareholder Consultation Session does not constitute a commitment to implement the governance changes, and so does not require council or board approval. However, this is up to your organization to decide.

4) ADVISE E-COMM OF ANY ADDITIONAL QUESTIONS OR INFORMATION YOU REQUIRE TO SUPPORT THIS DECISION.

Our E-Comm team is here to assist, as is your E-Comm board representative. We would be pleased to provide briefings or any information requested to assist your review.

NEXT STEPS

E-Comm will be in contact to follow up with your organization on the actions above. For more information contact E-Comm Public Affairs: governance.communications@ecomm911.ca.

APPENDIX – KEY MESSAGES:

E-Comm is improving public safety for British Columbians, by becoming a better partner and emergency communications services provider.

- **STRONGER GOVERNANCE AND OVERSIGHT OF E-COMM'S OPERATIONS.**

E-Comm's existing stakeholder-representative board structure creates the potential for director conflicts across different service lines. It results in high turnover of directors, inconsistencies in appointment processes, and gaps in the skills needed to provide effective oversight in key areas such as operations, technology, financial management and people and culture.

- **EQUITABLE REPRESENTATION FOR ALL USERS OF E-COMM'S SERVICES.**

Under the current corporate structure, only the users of E-Comm's Lower Mainland radio system are shareholders. This leaves the many other users of E-Comm's 9-1-1 and public safety call-taking services without any direct representation or input.

- **GREATER FAIRNESS AND TRANSPARENCY IN E-COMM'S PRICING.**

E-Comm' operating and funding model hasn't kept pace with growth. A new pricing model, to be developed, will ensure greater fairness and transparency in how costs and investments are shared.

- **REDUCED FINANCIAL RISK FOR SHAREHOLDERS AND THEIR LOCAL GOVERNMENT TAXPAYERS.**

An improved, more transparent operating and funding model will help to reduce financial risk for E-Comm's shareholders and their local government taxpayers.

- **BETTER, MORE SUSTAINABLE, EFFECTIVELY-GOVERNED SERVICES FOR ALL.**

With the improved board and corporate structure and financial model, the ultimate result will be better, stronger, more effectively-governed emergency communications services for all British Columbians.

APPENDIX – FREQUENTLY ASKED QUESTIONS:

1) Board and corporate structure

What are the problems with the current board structure?

The board is large and unwieldy, with high-turnover and a very small number of independent directors, resulting in lack of consistency in tenure, and gaps in the traits needed to provide effective oversight in key areas including technology, legal and governance, financial management and people and culture. It is also inequitable in not representing the majority of E-Comm's other service-user partners.

What is E-Comm's current board governance structure?

E-Comm has a large, 23-member and primarily stakeholder board. Its directors are comprised of 15 representatives from its Class A shareholders, 2 representatives from the province, 1 representative from E-Comm's Vancouver Island police dispatch partners, and 5 independent directors appointed by the Board (including the chair).

What is E-Comm's current corporate shareholder structure?

E-Comm has 26 Class A and 16 Class B shareholders. Class A shareholders are the local government and agency users of E-Comm's Lower Mainland radio system. Class B shareholders are local governments that have reserved their interest in joining one or more of their agencies onto E-Comm's radio system in the future. E-Comm's police and fire dispatch partners outside the Lower Mainland, as well as its Regional District 9-1-1 call-taking partners, are not shareholders.

How is the governance model changing?

The governance change proposals call for a smaller, more effective independent board, with improved professional and independent qualifications, whose nominations would be reviewed by a new screening committee comprised of shareholder representatives. In addition, the shareholder structure will be amended to ensure each of E-Comm's service-user partners has representation as a shareholder, regardless of geography and service used.

How will existing "Class A" shareholders' influence and representation be protected if all E-Comm's service users become shareholders and its board size is reduced?

Governance and oversight will be generally strengthened through independence on the Board, more consistency in board directors, improved length of terms, restructured committees, and more equitable, inclusive input to board decisions. Shareholder representation will be enhanced through stronger, more effective service and user committees and the ability for shareholders to review candidates for the board through the new screening committee.

What will the impacts be for “Class B” shareholders?

Under the proposed new model, Class A and Class B shares will be replaced with one share per user for each of E-Comm’s services used.

Of E-Comm’s 16 Class B shareholders, all but two hold Class A shares as well, meaning they are already users of E-Comm’s radio system, and will continue to be shareholders under the new model. Therefore, it is expected that virtually all E-Comm’s Class B shareholders will continue to be shareholders under the new model.

What is the role of a screening committee?

The screening committee would work with the Board’s Governance and Public Affairs Committee to vet and recommend a slate of independent directors to the shareholders for approval. Shareholders would still vote to approve the directors.

Who would sit on the screening committee?

This is yet to be determined as is the process for determining who serves on the screening committee.

How will a smaller board understand and represent all service lines of business?

Through refining the use of representative service governance bodies, and service and user committees with member-appointed representatives. These committees should serve to enhance user representation in the overall governance structure.

What is the role of service and user committees in the new model?

The service and user committees could provide important input and advice on the delivery of services and service expectations, the annual operating budget and proposed annual capital budgets, the appointment of the president and other matters that they want to bring to the board’s attention. The [Deloitte report](#) provides additional details on other mechanisms for service delivery and operational matters such as service/account managers.

2) Financial model and cost-sharing

What are the problems with the current operating cost/budgeting model and pricing process?

E-Comm’s outmoded financial model and planning have not evolved to keep pace with its growth and future needs. As a result, there is a lack of clarity in how pricing correlates to costs, and a perception of lack of fairness in how costs are allocated between different service lines, for example, the allocation of corporate costs between radio users (shareholders) and dispatch partners.

How do these proposed changes in E-Comm’s financial model relate to the governance changes, and do these financial changes need to be approved by shareholders?

E-Comm’s Board generally has the authority to make financial changes to its operating costs, budgeting and pricing. Depending on the nature of the financial changes, each will be considered to determine if they require amendments to the Members’ Agreement, which is being reviewed as part of the governance changes.

How exactly will the new operating cost/budgeting model, pricing process and financial forecasting be improved?

The specifics of the proposed funding model improvements are yet to be determined and still under development. E-Comm intends to share more details about these changes at the fall Shareholder Consultation Session.

How is cost control referenced in the recommendations?

Through the development of a transparent pricing model, understanding cost drivers and budgeting for long-term costs. The specifics of the proposed funding model improvements are being developed and will be shared as work progresses.

3) Role of the province

What about the call for a provincial mandate for E-Comm? Did the Deloitte report consider the province taking over E-Comm as a Crown corporation?

The Deloitte report looked at different legal structures including a Crown corporation. However, a new provincial mandate for E-Comm is something that is within the province’s exclusive control. E-Comm supports a new provincial mandate for 9-1-1 services in B.C., including provincial standards and funding, and is in regular contact with the province about the governance review process.

What about a provincial wireless call answer levy, or other new forms of funding – does this report address it?

Any decision on new provincial funding sources, such as a wireless call answer levy, will be up to the province. E-Comm supports the many public calls that have been made for new provincial standards and funding for 9-1-1 services in B.C., and a new wireless call answer levy, including by the Union of BC Municipalities, Metro Vancouver Regional District, and the all-party Finance Committee of the Legislature in its Budget 2024 recommendations.

Do you anticipate changes to the *Emergency Communications Corporations Act* as a result of this report?

It is anticipated that there will be changes to the Members' Agreement and those would require ministerial approval. However, there does not appear to be a need to seek legislative amendments to the *Act*.