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| TO: | CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON SEPTEMBER 29, 2014 |
| FROM: | ART ZUIDEMA CITY MANAGER |
| SUBJECT: | ECONOMIC DEVELOPMENT REVIEW – NEXT STEPS |

RECOMMENDATION

That, on the recommendation of the City Manager, the report dated September 29, 2014 entitled “Economic Development Review – Next Steps” **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

- June 23, 2014, “Economic Development Review”, Strategic Priorities and Policy Committee

BACKGROUND

In June 2013, Council directed the Civic Administration to engage a consultant to review the delivery of economic development services in London. Following a competitive process, KPMG was retained to complete this review. KPMG presented their final report to the Strategic Priorities and Policy Committee (SPPC) on June 23, 2014.

KPMG’s report included six recommendations:¹

1. *Develop a broad and inclusive community economic strategic plan;*
2. *Continue the current Purchase of Service Agreement (PSA) model with LEDC;*
3. *Identify connections between various economic development organizations through the community economic strategic plan process;*
4. *Receive through SPPC annual updates from all City-funded economic development organizations on their performance in relation to the broader economic strategy;*
5. *Review the role of the Investment and Economic Prosperity Committee (IEPC) for the next term of Council; and*
6. *Implement the Industrial Land Development Strategy.*

Municipal Council directed the City Manager to report back on next steps to implement the report.

(b) the City Manager BE DIRECTED to report back on the proposed recommendations contained in the KPMG report dated March 26, 2014, including a proposed implementation plan and timelines for updating the Municipal Council on this matter.

This report provides an update on planned next steps towards implementing KPMG’s recommendations, including a detailed plan for the development of a community economic strategy.

¹ For the complete text on the recommendations from KPMG’s report, see [Appendix A](#).

Recommendation #1: Develop a broad and inclusive community economic strategic plan.

As noted in the KPMG report, there are strong examples from other communities of broad and inclusive economic strategies. Administration consulted with leaders involved in developing such plans, including from Halifax, Windsor and Vancouver. The key learnings from these discussions are that:

1. A community economic strategy should be developed and owned by a group of stakeholders, rather than any single organization;
2. The process should be evidence-based and start with an understanding of the key challenges and opportunities specific to each community's local economy; and
3. The strategy should reflect the long-term goals and objectives, and identify specific priorities for action.

Based on examples from other communities, the Civic Administration plans to launch a key stakeholder engagement process to develop a community economic strategy for London. The purpose of this strategy will be to focus activities and identify opportunities to continually support London's prosperity.

The strategy will be developed by a Partnership Panel of community leaders, led by the City Manager, with the support of an external facilitator. It is anticipated that this process will commence in November 2014 and the strategy will be complete by spring 2015.

The estimated cost to develop this strategy, including the costs for external facilitation, meeting, printing and other expenses, will be accommodated through the corporate operating budget.

Recommendation #2: Continue the current Purchase of Service Agreement (PSA) model with the London Economic Development Corporation (LEDC).

The City's current PSA with LEDC extends to June 2015. The Civic Administration will begin the process to renew the PSA in early 2015. The KPMG report made three specific additional recommendations with respect to the next PSA renewal process:

1. Amend section (k) of the PSA to reflect LEDC reporting to Municipal Council through the Strategic Priorities and Policy Committee (SPPC);
2. The City's Senior Administration and LEDC Management agree on standard formats and level of detail for presenting to SPPC; and
3. The City's Senior Administration and LEDC Management meet once per year to review LEDC's performance against the key elements of the PSA.

On a go-forward basis, each of these recommendations will be implemented. LEDC's leadership is also supportive of this approach.

Recommendation #3: Identify connections between various economic development organizations through the community economic plan process.

The KPMG report recommends that LEDC be given responsibility to report to SPPC annually on the effective ongoing interaction between economic development organizations which receive City funding, using the community economic strategy as a reference point. This recommendation will be implemented on a go-forward basis, and will be reflected as a requirement in the renewed PSA with LEDC.

Recommendation #4: Receive through SPPC annual updates from all City-funded economic development organizations on their performance in relation to the broader economic strategy.

The KPMG report provides specific recommendations on the format and template for reporting by all economic development organizations which receive City funding. The Civic Administration is reviewing these recommendations in an effort to ensure they are integrated within the existing reporting structure through the budget process. It being noted that the City's economic strategy will help guide the work of each of the City funded economic development organizations.

Recommendation #5: Review the role of the Investment and Economic Prosperity Committee (IEPC) for the next term of Council.

Municipal Council directed that the Governance Working Group reconvene with respect to this recommendation:

(c) the Governance Working Group BE RECONVENED to review the mandate of the Investment and Economic Prosperity Committee and report back to the Strategic Priorities and Policy Committee (SPPC) with a suggested course of action with respect to any potential refinements to the current governance model that may enhance the Municipal Council's model for addressing economic development matters, for the consideration of the incoming Council.

The Governance Working Group (GWG) met September 10, 2014. As a result, the GWG recommended to Municipal Council that the City Manager continue to move forward with the review of the recommendations contained in the KPMG report and upon completion of that review, that any necessary changes to the Standing Committee structure be undertaken to reflect the recommendations of the review.

Recommendation #6: Implement the Industrial Land Development Strategy.

On March 18, 2014, Council approved the 2014 Industrial Land Development Strategy (ILDS). The ILDS is built around a goal to develop and maintain a supply of 200 hectares of strategically located, fully serviced industrial land. The priority is for large parcels of land with close proximity to the 401/402 corridors. The City of London has approached the federal and provincial governments to each contribute \$40 million to support this plan. No federal or provincial funding has yet been confirmed. Municipal Council committed to its share of the ILDS through the 2014 budget process.

Council directed the Civic Administration to review options for the long-term implementation of the ILDS, including an internal and external model. Administration will report back on these options early in the next term of Municipal Council, as there may be financial implications involved which are subject to the lame duck provisions.

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| CONCLUSION |
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Building 'A Strong Economy' remains a top priority for Municipal Council, the Civic

Administration, and the London community. Seeking opportunities to enhance the delivery and co-ordination of economic development services and activities within the City of London and with partner organizations is a top priority for the City Manager. The KPMG review provided an opportunity to reflect and build upon the ongoing work and successes of the LEDC and the City of London in supporting London's economy. KPMG's report provided a useful roadmap forward.

As detailed in this report, the Civic Administration is positioned to implement all recommendations from KPMG. In particular, the development of a community economic strategy represents an important opportunity to bring partners together and develop a shared agenda for the future.

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| PREPARED AND SUBMITTED BY: | PREPARED AND SUBMITTED BY: |
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| RECOMMENDED BY: |
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| ART ZUIDEMA CITY MANAGER |

- cc. Senior Leadership Team
Kapil Lakhotia, London Economic Development Corporation

**Appendix “A”
KPMG Recommendations**

1. We recommend that Council authorize the City Manager’s Office to lead the development of a broad and inclusive community economic development strategic plan similar to those undertaken by the City of Halifax, the City of Vancouver and/or Windsor and Essex County, by:
 - Reviewing with, at a minimum, the authors of each of the three plans identified above (the City of Halifax, the City of Vancouver, and/or Windsor, Essex County, or other community economic development plans as appropriate, the process that was used to undertake the development of those economic strategic plans, the nature of the consultation taken, the time required to develop the plan and the budget required to produce the plan.
 - Making recommendations to Council on how best to proceed with the development of such a strategy.
 - Leading the process of developing the plan, ensuring that the appropriate levels of consultation are undertaken with all stakeholders and that the plan is based upon an objective, data-driven assessment of the community’s economic strengths and weaknesses and presenting to Council for discussion and approval.
 - We recommend that as part of the planning process, consideration be given to the nature of effective performance measures that measure the progress of implementing the strategy’s key goals and initiatives and provide a realistic measure of the accomplishments in specific economic development focus areas.

2. We recommend that the current Purchase of Service Agreement (PSA) model with LEDC be continued and renewed upon the expiry of the current agreement. Depending on actions taken as a result of this report, some changes may be required to the terms and responsibilities included in the Agreement. We recommend that consideration be given to amending section 1k) of the PSA to reflect LEDC reporting to Council through the Strategic Priorities and Policy Committee (SPPC).
 - We recommend that the City’s Senior Administration and LEDC Management agree on a set of standards dealing with presentation format, documentation format and required level of content to be presented to the SPPC.
 - We recommend that on an annual basis, the LEDC Senior Management meet with the City’s Senior Administrative Leadership to review LEDC performance against the key elements of the Purchase of Service Agreement.

3. We recommend that the nature of the interaction of the various economic development organizations be documented in the economic strategic plan.
 - We recommend that the LEDC be given responsibility to report to the SPPC annually, utilizing the community economic development strategic plan as a reference point, on the effective ongoing interaction of the economic development organizations funded by the City through the LEDC.

4. We recommend that the SPPC receive, through the annual budget approval process, an overview from each City-funded economic development organization outlining their strategic

goals and focus areas, and measures of performance in relation to the City's economic strategy. An updated and comprehensive economic development strategy will guide the work of each of the economic development organizations funded by the City.

- We recommend that on an annual basis and prior to the budget setting process, each of the economic development organizations funded by the City present to the SPPC its plan for the upcoming fiscal year, using a presentation format and template designed by City Administration including:
 - A brief description of the organization's mandate
 - A high-level overview of the strategy the organization is following
 - The current and anticipated future economic conditions they are faced with
 - Its key goals to be pursued in the upcoming fiscal year
 - The key measures they will use to track performance.
 - We recommend that every year, each City-funded economic development organization present to the SPPC a six month update on the progress they are achieving against their strategic plan, using the performance measures developed in the formulation of the plan.
5. We recommend that within the next term Council make a determination as to the ongoing benefit of utilizing the IEPC and its defined mandate with respect to economic development activities.
- We recommend that the process flow amongst the City's internal economic development functions and its inter-relationship with external economic organizations be documented, more specifically - flow charted, including describing at high level the specific steps, activities, responsibilities, timelines and constraints to consider.
 - We recommend that City Administration establish a method to review these documented processes on a regular basis as a means of continuously improving them.
6. We recommend that the Industrial Land Development Strategy approved by SPPC on March 17, 2014 be implemented as approved.