

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON JUNE 9, 2015
FROM:	ART ZUIDEMA CITY MANAGER
SUBJECT:	AGREEMENT BETWEEN THE CITY OF LONDON AND THE LONDON ECONOMIC DEVELOPMENT CORPORATION (LEDC) 2015-2019

RECOMMENDATION

That on the recommendation of the City Manager, and in accordance with the City of London Procurement of Goods and Services Policy, Section 14.4 Single Source, the attached proposed by-law (Appendix "A") **BE INTRODUCED** at the Municipal Council meeting to be held on June 25, 2015 to:

- a) **APPROVE** an agreement between The Corporation of the City of London (City) and the London Economic Development Corporation (LEDC) (attached as Schedule "A") to the by-law); and
- b) **AUTHORIZE** the Mayor and the City Clerk to execute the agreement approved in a), above.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

- February 27, 2008 – Board of Control– report authorizing agreement between City and LEDC until June 30, 2012.
- May 28, 2012 – Agreement between the City of London and the London Economic Development Corporation (LEDC)

BACKGROUND

Council's Strategic Plan 2015-2019 has identified "Growing our Economy" as a key strategic area of focus, which will be supported by an overarching Community Economic Road Map. The Community Economic Road Map, scheduled for completion in October 2015, will be the catalyst for maximizing economic success across our city and assist in guiding the activities of the City of London and its partner organizations over the short, medium and longer term horizon. At the present time the City has a Purchase of Services Agreement with the London Economic Development Corporation, which extends to June 30 2015, for the delivery of specific economic development-related services. Other organizations in London, such as Tourism London and the London Convention Centre, also provide economic development-related services.

PURPOSE OF REPORT:

The purpose of this report is to present a renewal of the current Purchase of Services Agreement between the City of London and the London Economic Development Corporation for Municipal Council Approval. Please note that this report has been divided into three sections: 1) Background, 2) Purchase of Services Agreement Specifics, and 3) Effective Measurement of Progress.

SECTION 1- BACKGROUND:

The LEDC was formed as a result of the April 21, 1998 Memorandum of Understanding regarding a proposed public-private economic venture between the Corporation of the City of London and the London Economic Development Corporation (Appendix B: Memorandum of Understanding). That memorandum sets out the early terms of reference and operating model. A summary of that memorandum is provided below:

- LEDC will operate as a body independent from the City, able without requiring further approvals, to execute decisions that it makes within its budget and to have its Chief Executive Officer accountable to its Board of Directors (Paragraph 2 (a)).
- Council remains ultimately accountable to the municipal taxpayer and to the broader public for expenditures and initiatives on economic development (Paragraph 2 (b)).
- LEDC organization and activities will follow the Investing in Prosperity Strategic Plan, as received by the LEDC Board on February 10, 1998 (Paragraph 4). **Today the LEDC organization and activities will follow the 2015-2019 Council Strategic Plan.*
- LEDC will perform the role of an operating economic development corporation, not an advisory body (Paragraph 6).

Economic development functions will be distributed between LEDC and the City as follows (Paragraph 7):

LEDC Responsibilities	City Responsibilities
LEDC will be generally responsible for:	The City will be generally responsible for:
(i) Strategic Planning and Analysis	(i) Coordination and liaison with various organizations within local economic development sector (e.g. Tourism London, LEDCO, London Community Small Business Centre, etc.)
(ii) Marketing and Attraction Programs for New Business	(ii) Entrepreneurial Development Programs
(iii) Retention and Expansion Programs For Existing Business	(iii) Targeted Projects and Initiatives: <ul style="list-style-type: none"> ▪ industrial park development ▪ downtown and east London redevelopment ▪ tourism and convention promotion through Tourism London and London Convention Centre Corporation ▪ infrastructure development ▪ regulatory review ▪ special events and tournaments
(iv) Technology Development and Commercialization	(iv) Development Facilitation <ul style="list-style-type: none"> ▪ "shepherding" customers through steps within City Hall
(v) LEDC has the responsibility of arranging for LEDC Board Members and other London private sector representative to meet and encourage prospective investors	

The table above, summarizing the distribution of responsibilities between LEDC and the City reflects, in most part, the current distribution of responsibilities. The only changes that should be noted, which resulted over the years, since 1998, include, technology development and commercialization, as that is accomplished by a number of organizations, including Western. Entrepreneurial development programs are also delivered by a number of agencies across the city, including LEDC.

LEDC is governed by a 15 member Board, each with a term of three years:

- The Mayor is a member of the Board and sits on the Nominating Committee
- The CEO of the Chamber of Commerce and City Manager are ex-officio members.

The membership of the Board is intended to include representatives of the London business and educational communities who are committed to the growth of the community and who can provide non-conflicted guidance to the Board and management of the LEDC. The Board includes four members who have a broad range of business experience as well as members

from the health care and education sectors. In addition, all City Councillors receive notice of the annual general meeting of LEDC.

In June 2013, Council directed the Civic Administration to engage a consultant to review the delivery of economic development services in London. The purpose of the review was to examine the nature of how economic development services were delivered with a focus on understanding the City's needs and expectations (as the funder) and to identify opportunities for improvement, including evaluating the potential benefits of three possible models for the delivery and co-ordination of economic development services. Specifically, the review considered the following three possible models, and relevant hybrid models:

- A. Purchase of Services Agreement (current model)
- B. Municipal Services Board
- C. Municipal Services Corporation

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 (Appendix C: KPMG Report). As part of the review process, KPMG examined various documents, conducted numerous interviews, and compared the LEDC model structure to leading economic development practices. As a result, KPMG has concluded that this model is an appropriate model for the delivery of economic development services for the City of London, for the following key reasons:

- The LEDC is able to operate at arm's-length from the City, enabling it to focus on meeting the needs of business, and having the flexibility to execute activities in a prudently expeditious manner.
- The City, through the effective management of the PSA, has an appropriate level of control over the LEDC.

KPMG suggested that a change in the status quo model would not yield any improved benefit to the City, and may actually be detrimental to the City's economic development interests.

KPMG recommended that the current Purchase of Services Agreement model (PSA) with LEDC be continued and renewed at the expiry of the current Agreement. KPMG made three specific additional recommendations with respect to the next PSA renewal process, all of which have been incorporated into the renewed agreement:

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.

SECTION 2 – PURCHASE OF SERVICES AGREEMENT SPECIFICS:

The agreement sets out the services to be provided, payment and schedule of payments, the governance structure as it relates to the City and reporting mechanism to the Strategic Priorities and Policy Committee and City Council. The current agreement expires on June 30, 2015. The Purchase of Services Agreement attached as Schedule "A" provides for a renewed agreement which extends to June 30, 2019. The major elements of the new agreement include the following sections:

Section Number	Description
3.	Services being purchased and provided. The Corporation agrees to purchase from the LEDC and the LEDC agrees to provide to the Corporation the following broadly described economic development services and, in order to provide such services, the LEDC shall:

a)	act as the primary economic development body on behalf of the Corporation;
b)	assist local businesses with expansions and relocation within the City of London (the “City”), and retaining their existing operations within the City;
c)	attract new business investment to the City;
d)	provide site location assistance and analysis for potential new businesses;
e)	market and promote the City to existing and potential new business ventures;
f)	collaborate with the Corporation on funding opportunities with the Federal Government, the Provincial Government and other sources for economic development purposes.
g)	identify and establish suitable partnerships throughout the community and wherever necessary in order to meet the economic development objectives of the Corporation;
h)	provide guidance and leadership in the development of the local and regional workforce;
i)	inform and apply best efforts to involve the offices of the Mayor and the Corporation’s City Manager in advance of public announcements or events involving LEDC and/or economic development matters.
j)	submit a Board approved LEDC Strategic Plan for information to the Municipal Council every 4 years, or as may be appropriate.
k)	prepare and submit on or before September 1 st of each year, an annual business plan to the Municipal Council on the progress associated with the objectives identified in the Strategic Plan. At minimum, the business plan is to include: <ul style="list-style-type: none"> i. state of the local economy, including, but not limited to economic indicators such as labour force, employment by industry, building construction activity and GDP; ii. overview of key economic sectors and emerging opportunities; iii. data on local retention and growth activity and new foreign investments; iv. workforce development initiatives, and v. marketing and promotional campaigns.
l)	provide continued leadership on the London Community Economic Road Map and its implementation.
m)	continue working relationships with partner community organizations to support Economic Development in London.
n)	may provide funding for Community Improvement Programs (CIP) that focus on the enhancement of economic development opportunities within the Community Improvement Project Areas.
7.	Annual Business Plan for the Concurrence of Municipal Council. The LEDC shall prepare and submit to the Municipal Council an annual business plan (the “ Business Plan ”) by such date and in such form as the Corporation may prescribe, containing details of the services contemplated by this Agreement and sufficient to enable the Municipal Council to give reasonable consideration of the Business Plan.
9.	Consideration. For the services purchased and provided, the Corporation shall pay the LEDC a fee (the “ Fee ”) of \$2,279,004 ¹ for each twelve month period ending June 30, 2016, 2017, 2018 and 2019 (<i>subject to a) through e) in the agreement</i>).
13.	Governance. The LEDC agrees and undertakes to do the following:

¹ The LEDC annual fee (Section 9) has been adjusted to \$2,279,004 for each twelve month period ending June 30, 2016, 2017, 2018 and 2019. The LEDC fee has not changed since the agreement was last renewed in 2012 (\$2,196,000). As per the Bank of Canada (CPI for Canada), the accumulated/total inflation from March 2012 to March 2015 was 3.78% (an average of 1.24%/ year), resulting in a total recommended increase of \$83,004. Reason for the increase is that LEDC is/will be providing additional workforce development initiatives, entrepreneurship and tech sector support, as well as other new initiatives intended to raise London’s profile.

	a)	Maintain the Mayor as a member of the LEDC's Nominating Committee;
	b)	Give notice of, and invite the Corporation's City Manager to attend, meetings of the LEDC's Executive Committee;
	c)	Obtain the concurrence of the Municipal Council to the appointment or replacement of the President and Chief Executive Officer of the LEDC; and
	d)	Ensure that a review of the LEDC's President and Chief Executive Officer's performance is conducted annually by the Board of Directors of the LEDC, and that the view of the Corporation is sought in the preparation of such performance review.
14.		Prospective Directors. The LEDC's Board of Directors shall ensure that its Nominating Committee guidelines include seeking out representatives of the London business and educational communities who are committed to the growth and wealth creation of the community and who can provide non-conflicted guidance to the board and management of the LEDC.
15.		Ongoing Liaison. For the purpose of discussing with the Corporation and keeping it informed on a timely basis of the success of the LEDC in providing the services set out in this Agreement and to maintain good working relationships, the LEDC and the Corporation shall maintain ongoing liaison as follows:
	a)	The President and Chief Executive Officer of the LEDC shall meet regularly with the Corporation's City Manager and shall report to the Municipal Council with respect to the LEDC's activities on an annual basis; and
	b)	Representatives of the LEDC's Board of Directors shall meet annually with the Strategic Priorities and Policy Committee at the Municipal Council's direction and at the Municipal Council's option.
26.		Dispute Resolution. In the event any claim, dispute or other matter (herein referred to as a "dispute") shall arise between the parties hereto during the term of this Agreement: <i>(as noted in a) through g) in the agreement).</i>
31.		Termination. This Agreement and the Registered Mark License Agreement made between the Corporation and the LEDC dated January 28, 1999, shall, at the Corporation's option, (with the exception of paragraphs (d), (e) and (f) below in which case this Agreement shall terminate on the date determined in accordance with paragraphs (d), (e) and (f) as applicable) terminate prior to June 30, 2019 or prior to the expiration of any renewal of this Agreement, upon the happening of one of the following events, whichever occurs first: <i>(as noted in a) through f) in the agreement).</i>

SECTION 3 – EFFECTIVE MEASUREMENT OF PROGRESS

Currently the City monitors and measures LEDC's success based on investment and job creation metrics. However, successful outcomes for LEDC go beyond job creation and investment attraction. The efforts of the LEDC team have a very high multiplier effect in the community and impact many lives in London. All primary lines of business at LEDC have secondary business plans that are reviewed annually. Each portfolio manager builds a tactical plan, measured by key activities and outcomes, which is presented to the board of directors regularly. This process helps LEDC regularly monitor their progress and determine best use of available resources.

LEDC's Key Performance Indicators are:

- Employment Created: Employment created through new companies attracted to London as well as expansion of local businesses.
- New Investment: New corporate investments made in London through facility construction, equipment, R&D and more.
- Growth & Expansion Projects: Regular dialogue with local companies to actively facilitate growth and expansion projects.
- Grants & Subsidies: Grants and subsidies received by companies as a result of LEDC assistance.
- Property Tax Generated: Assessment and property taxes generated from new industrial and office construction.
- Talent Development & Consultations: Number of active talent development projects as well as employer and job seeker consultations.

- External Outreach & Promotion: External outreach and promotion activities to help raise visibility and attract potential investors.
(Appendix D: LEDC Strategic Plan: 2015-2018)

Annual economic indicators such as labor force, employment, GDP and Building Construction Activity are provided in LEDC’s Annual Business Plan (Activity Report) (Appendix E). Each year, LEDC provides data on their activities and how their services contribute to the results identified in the City of London’s Strategic Plan. Annual data on key performance indicators is also provided to the City, which includes attraction of new investments, local business expansions and job creation (Appendix F: Annual Performance Submission).

As recommended in the KPMG report, the City’s Senior Administration and LEDC Management have been and will continue to meet once per year to review LEDC’s performance against the key elements of the PSA. LEDC also meets with the City Manager regularly (several times every month) to discuss progress. Through the monthly board meetings, the City Manager and the Mayor are kept informed of LEDC activities, upcoming events and strategic projects. In addition, LEDC regularly keeps business, political and community stakeholders informed through annual activity reports, strategic plan, promotional magazine, monthly newsletters, daily social media, numerous web portals, monthly events, economic leadership awards and more.

CONCLUSION

In summary, “Growing our Economy” is a key strategic area of focus that has been identified in Council’s Strategic Plan 2015-2019. As such, the agreement between the City and the London Economic Development Corporation is vitally important. The agreement is intended to ensure that proper delivery of economic development related services are provided, which in turn will grow our economy. It is important to note that many of the reporting requirements in Section 3 of the Purchase of Services Agreement have been enhanced. The annual reporting requirements provide Council with annual measuring of progress with respect to economic development, sectors and employment, as well as benchmarking.

The current Purchase of Services Agreement between the City of London and the London Economic Development Corporation extends to June 30 2015. Administration recommends that the Purchase of Services Agreement be renewed for a four year period, to be consistent with the multi-year budget and the Council Strategic Plan. The agreement has been reviewed by David Munteer of the City Solicitor’s Office, the Solicitor for the LEDC, and the President of LEDC.

PREPARED AND SUBMITTED BY:	REVIEWED AND RECOMMENDED BY:
CATHY DZIEDZIC SPECIALIST, CORPORATE INVESTMENTS AND PARTNERSHIPS	KATE GRAHAM DIRECTOR, COMMUNITY AND ECONOMIC INNOVATION
RECOMMENDED BY:	
ART ZUIDEMA CITY MANAGER	

- cc. James Barber, City Solicitor
 Martin Hayward, Managing Director, City Treasurer, Chief Financial Officer
 Kapil Lakhotia, President, London Economic Development Corporation
 David Munteer, Solicitor II
 Laurie Green, Financial Business Administrator

John Freeman, Manger of Purchasing and Supply

SCHEDULE (please see attached):

Schedule A: Purchase of Services Agreement between the City of London and the London Economic Development Corporation (LEDC)

APPENDICES (please see attached):

Appendix A: By-Law

Appendix B: Memorandum of Understanding

Appendix C: KPMG Report

Appendix D: LEDC Strategic Plan: 2015-2018

Appendix E: LEDC's Annual Business Plan (Activity Report)

Appendix	F:	Annual	Performance	Submission
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Agenda Item # Page #

