

TO:	CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES COMMITTEE MEETING ON JUNE 18, 2018
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	PROMISSORY NOTE BETWEEN THE CITY OF LONDON AND LONDON PUBLIC LIBRARY

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the attached proposed by-law (Appendix "A") **BE INTRODUCED** at the Municipal Council meeting to be held on June 26, 2018 to:

- a) **APPROVE** a ten year promissory note (Appendix B) between The Corporation of the City of London (the City) and the London Public Library (the Library); and,
- b) **AUTHORIZE** the Mayor and the City Clerk to execute the proposed by-law (Appendix A) and promissory note (Appendix B).

PREVIOUS REPORTS

- 2016 Community and Protective Services Committee – June 16, 2016 – Southwest Community Centre, YMCA and Library Joint Venture Project

BACKGROUND

In 2014, the London Public Library and the City of London discussed the possibility of providing library services from a new multipurpose community facility to be located in the southwest area of the City of London. The Library was already providing service to the southwest area through its Westmount Branch Library located at 3200 Wonderland Road South (just south of Wonderland and Southdale). Given the success of existing partnerships in multipurpose facilities, the Library and the City of London discussed the feasibility of another partnership.

In 2014, The City of London issued an *Expression of Interest and Request for Qualifications, for Potential Partners in a new Southwest Multipurpose Recreation Facility*. Per the direction of the Library Board on April 17th, 2014, the Library made a submission. In July 2014, the London Public Library and the YMCA of Western Ontario were identified through the City process as viable partners. The partners began the visioning work and developed a draft memorandum of understanding with respect to this joint venture. The City, YMCA and Library joint venture for the Stoney Creek multipurpose facility was used as a model for discussion purposes.

In 2015 Municipal Council at its February 24, 2015 meeting, approved a *Memorandum of Understanding* by the City of London with the YMCA of Western Ontario and the London Public Library Board with respect to the joint venture to construct and operate a community centre, recreation centre and a public library branch in Southwest London.

The initial projected costs for the Library's share was estimated to be \$5,400,000 based on occupying 14,500 square feet of space. Upon drafting its Library Functional Plan and reviewing costs, the Library reduced its required size to 12,500 square feet, which in turn reduced the projected cost to \$4,576,813.

In order to participate in the project, the London Public Library determined that it would need to sell its property consisting of land and the Westmount Branch Library Building at 3200 Wonderland Road South. This would result in the closure of the Westmount Branch Library and moving these services to the new facility on Southdale Road.

The Library sought third party appraisals for the property and the property was listed for sale in June of 2015. A legal restrictive covenant, dating from the time of the purchase of the land by the Library, which limited uses of the property, negatively affected interest in the property and the subsequent sale amount. The Library property sold in 2017 for \$2,638,980.

The purpose of this report is to recommend the execution of a promissory note between the London Public Library and the City for the difference in the construction costs and the net proceeds of the sale of the 3200 Wonderland Road South property.

Promissory Note Summary

The source of financing for the Southwest Community Centre, YMCA and Library joint venture project specifically identified that the Library's source of funding will be debenture financing until the sale of the existing Westmount Branch is finalized. Any authorized but unissued debt would be reduced accordingly once the net proceeds from the Westmount Branch were known.

The London Public Library's share of the Southwest Community project is \$4,576,813. The sale of the Westmount Branch library netted \$ 2,638,980 and has earned \$20,326 in interest to date. Therefore the portion to be debt financed is \$1,917,507.

Based on the most recent quote from the City's fiscal agent on May 14, 2018, the current all-in-cost of a 10-year amortizer is 3.258% and equates to an annual payment of approximately \$228,000.

The London Public Library Board, at its meeting on May 24, 2018, approved a ten year promissory between the City and the Library. The repayment will be funded through a combination of a draw-down from the Library Facilities, Vehicle and Equipment Reserve Fund and a budgeted annual contribution from the operating budget. Alternatives to this funding arrangement will be explored during the 2020 to 2023 budget development process.

The promissory note issuance complies with both the Municipal Act and with the City's Investment Policy.

Summary:

With the approval of the debt financing loan to the London Public Library, a promissory note was determined to be the best vehicle to document this arrangement. Consistent with the City's debt issuance process, the City looks to issue debt upon substantial completion of projects. Since the Southwest Community Centre is near completion, this promissory note is being brought forward to formalize the arrangement.

Acknowledgements:

The promissory note has been prepared by Legal Services with the assistance Financial Planning & Policy.

PREPARED BY:	REVIEWED BY:
LAURIE GREEN CPA, CMA FINANCIAL BUSINESS ADMINISTRATOR	JOHN MILLSON CPA, CGA SENIOR FINANCIAL BUSINESS ADMINISTRATOR
RECOMMENDED BY:	
ANNA LISA BARBON CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

- cc. Susanna Hubbard Krimmer, General Manager, London Public Library
- Michelle Perez Butlin, Solicitor
- Rick Lamon, Manager, Accounting & Reporting

APPENDIX A

Bill No.
2018

By-law No.

A By-law to approve and execute a promissory note between The Corporation of the City of London, and The London Public Library and to authorize the Mayor and City Clerk to execute the agreement.

WHEREAS subsection 5(3) of the *Municipal Act, 2001* provides that a municipal power shall be exercised by by-law;

AND WHEREAS a promissory note from the London Public Library would qualify as and eligible investment under section 418(1) of the Municipal Act as such prescribed under Ontario Regulation 438/97 ss 0.1 ui as a security that the municipality may invest in.

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The agreement to be entered into between The Corporation of the City of London and The London Public Library regarding the \$1,917,507.00 promissory note, attached as Schedule 1 to this by-law, is approved.
2. The Mayor and the City Clerk are authorized to execute the agreement approved under section 1 above.

This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on June 26, 2018

Matt Brown
Mayor

Catharine Saunders
City Clerk

First Reading – xxxx, 2018
Second reading – xxxx, 2018
Third reading – xxxx, 2018

APPENDIX B

LONDON PUBLIC LIBRARY BOARD PROMISSORY NOTE

FOR VALUE RECEIVED, the London Public Library Board (the “Debtor”) hereby promises to pay on the Maturity Date to or to the order of THE CORPORATION OF THE CITY OF LONDON (the “Creditor”) at its offices in London, Ontario, the principal amount specified below (“Principal”) together with interest at the rate specified below (“Interest”) under this promissory note (the “Note”).

The following are the terms and conditions of the Note:

PRINCIPAL

1. The Principal of this Note is ONE MILLION NINE HUNDRED SEVENTEEN THOUSAND FIVE HUNDRED AND SEVEN DOLLARS (CAD \$1,917,507.00).

INTEREST RATE

2. Interest shall be payable at a fixed rate of 3.258% per cent per annum, calculated and compounded annually not in advance and payable before and after maturity or default and judgment on the amount outstanding from time to time.

REGULAR INSTALLMENT PAYMENT

3. A payment of TWO HUNDRED TWENTY SEVEN THOUSAND SEVEN HUNDRED AND SIXTY DOLLARS (CAD \$227,760.00) shall be made annually on the first day of March during the term of this Note commencing March 1, 2019.

MATURITY DATE

4. This Note shall mature on March 1, 2029.

ASSIGNMENT

5. The Creditor may, at any time and from time to time, assign or transfer any or all of its right, title or interest in, to and under this Note to any Person. The Debtor shall not assign any or all of its obligations without the prior written consent of the Creditor, which consent may be arbitrarily withheld without reasons.

DEFAULT

6. In the event of a default of the payment in accordance with the terms of this note of any Principal or Interest, the Debtor and every permitted endorser shall pay all costs incurred by the Creditor in enforcing and collecting upon this Note, including legal costs on a full indemnity basis.

AMENDMENT

7. All amendments to this Note require the written consent of the Debtor and Creditor.

ENUREMENT

8. This Note shall be binding upon and enure to the benefit of the Debtor and the Creditor and their respective successors and permitted assigns.

WAIVER

9. The Debtor hereby waives presentment, demand for payment, notice of dishonour, notice of non-payment, protest, notice of protest, and any and all other notices and demands in connection with the delivery, acceptance, performance, default or enforcement of this Note.

EXCHANGE OF NOTE

10. On receipt of evidence reasonably satisfactory to the Debtor of the loss, theft, destruction or mutilation of this Note, and in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and substance to the Debtor or, in the case of mutilation, on surrender and cancellation of the mutilated Note, the Debtor at its expense shall execute and deliver, in lieu of this Note, a new promissory note of the same form and amount.

SIGNATURES

11. If this Note bears the signatures of individuals who were at any time the proper officers of the Debtor at the time of signing, such signatures shall bind the Debtor, notwithstanding that any such individuals may have ceased to hold such officers prior to or subsequent to the delivery of this Note.

GOVERNING LAW

12. This Note shall be construed, interpreted and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

This Note is executed by the Debtor this _____ day of, _____ at London, Ontario.

LONDON PUBLIC LIBRARY BOARD

Per: _____