

TOWNSEND AND ASSOCIATES

BARRISTERS AND SOLICITORS

LYNDA J. TOWNSEND PROFESSIONAL CORPORATION

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November 8, 2011

City of London,
300 Dufferin Ave
6th floor
LONDON, ON
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Attention: Mr. Martin Hayward

Dear Mr. Hayward:

Re: City of London Municipal Service Financing Agreements

I have reviewed the Watson Report dated October 26, 2011 and the draft report to Finance and Administration committee forwarded on October 28, 2011. Council has requested staff explore alternative financing mechanisms as a result of a recommendation by the Blue Ribbon Panel. I would like to ensure that this recommendation is put into context.

I would like to first summarize the objective of the Blue Ribbon Panel and what the expectations were regarding these types of agreements. The Panel was of the view that in the correct circumstances front end financing could be used as a tool by the municipality. The Panel was clear that GMIS and prioritization of growth areas is fundamental to ensuring that DC rates are set at appropriate and sustainable levels. As a result, alternative financing would only be appropriate where the GMIS goals are not compromised. In addition, the Panel was of the view that the City should have full control over its development charge receipts which is why it suggested the UWRF services, to the extent possible, become CSRF services. Alternate payment arrangements that resulted in Council losing control of the timing and funding of its infrastructure would also not be appropriate.

Alternative financing was not to be interpreted by the Panel to include a model which would result in the industry taking over the infrastructure programming of the City. This appears to be what is contemplated by Watson and Associates in their general analysis of alternative financing. It was intended only to be used subject to specifically adopted Council criteria which the City must develop and tailor to their own needs. These criteria would shift the risk for any alternate financing entirely onto the developer. The criteria would allow for alternate arrangements only when it meets Council's objectives for growth, including sustainable economic development. The criteria could set a maximum total obligation for repayment per year. The criteria can state that the repayment is at the discretion of the municipality based on development charge receipts. The criteria can indicate that credits will not be used but only repayments to avoid cash flow issues. The criteria can allow for the developer to advance the growth and non-growth shares to avoid impact on the tax base. I believe that most of these principles were found in the examples from other municipalities. It appears that in the conclusions set out in the Watson report concur with this type of approach.

In terms of the October 26, 2011 draft staff report, I am uncomfortable with recommendations 8(b) and 8(c) (which have subsequently been modified). It is important that the recommendations not lead to further use of the UWRF or a return to this type of fund in the future. Area specific by-laws are a tool worthy of examination in the next development charge by-law review for comparison purposes but the Panel recommended that the UWRF should move towards elimination and should these recommendations be interpreted as meaning otherwise they would not be consistent with the panel recommendations.

I trust this has been of assistance.

Yours truly,
TOWNSEND AND ASSOCIATES

A handwritten signature in black ink, consisting of a large, stylized 'L' followed by a horizontal line that ends in a small loop.

For: Lynda J. Townsend