

Preliminary Responses from Administration

Financial Task Force Report and Recommendations

Preliminary Review of Potential Pace of Implementation of Action Items

Relevant Action Items, Recommendations and Pillars					
		Decision-making priorities for municipal finances	Practices that align with drivers of change	Processes that respond to stakeholder expectations	Policies to support achieving fiscal sustainability
Potential Pace of Implementation	Implementation could occur right away with Council direction and dedicated resources	1a, 5, 6a, 7a	14a, 15, 23a, 18b	26a	33, 34a
	With the right resources implementation of action items could be completed within 6 months	2b, 3, 4a, 4b, 4c, 9a, 11b	18c, 19a, 19b, 20c, 21a, 22a	24a, 26b	
	Would take longer than 6 months because of unmovable constraints*	1b, 1c, 2a, 7b, 8, 10, 11a	13a, 17, 18a, 18b, 19c, 20a, 20b, 21b, 22b	24b, 25, 27, 28a, 29a, 30a	31, 32a, 34b, 34c, 35
	Implementation is contingent on support from external parties	4d, 6b, 7c, 9b	12, 13b, 14b, 14c, 16, 20c, 21c, 22c, 23b	24c, 28b, 29b, 30b	32b

*constraints such as the next opportunity for such action is longer than 6 months' time

A. **Decision-making **priorities** for municipal finances**

Adopt an evidence-based approach to decision-making

Recommendation #1: Apply a decision-making framework that addresses forces within the control of The City. Adding elements that are subject to the decision of the other orders of government limits execution capacity. Commit to a process based on two features:

- a. Purposefully find the 'best available' evidence on
 - o Revenues and taxes required for municipal services.
 - o Affordability of revenues and taxes collected by residents and businesses.
 - o Sustainability and long-term impact of revenue and tax collected on the economy.
 - o Emerging trends having the potential to impact revenue and taxes.
- b. Critically evaluate the validity and generalization of the evidence before decisions.

Administration's response:

Agree. The City currently employs an evidence-based methodology for determining revenues, taxes, and affordability, including citizen surveys and feedback through Council members. Administration links decision making to the short term (1-5 years) economic outlook and has in place a Long Range Financial Plan (LRFP) the considers the sustainability of revenue taxes on the Corporation, including an analysis of trends. The LRFP provides the basis for financial planning and budgeting. As well, a review of trends is explicit within the initial work of the preparation of each new 4-year cycle. An evidence-based approach is the foundation of the SAVE program and before it the ZBRs – including a critical assessment of the quality of data, comparability and other factors that influence validity.

Opportunities for Change:

Administration is currently reviewing and updating the Long Range Financial Plan. As part of this, a review of trends impacting The City is explicitly included. There is an opportunity to give greater consideration to the impact on the economy as a whole of the long-term revenue levels and mix, and to incorporate more peer reviews to validate the strategies and results. There is also an opportunity to incorporate this into the business planning and budgeting process.

Action items:

- a) Administration will be more explicit of the evidence relied upon in reporting and communications.
- b) Administration will explicitly incorporate a broader view of the impacts of City finances on the economy as part of the current LRFP update.
- c) Administration will review the validation process of conclusions stemming from the LRPF update and the business planning and budgeting process and determine the means of strengthening overall validation.

Recommendation #2: Develop and sustain the credibility of the decision-making process by:

- Committing to a principles-based process for adjusting municipal property taxes with strong accountability and ownership.
- Delivering analysis, in everyday language, of the upcoming year's property tax challenges ahead of the tax rate decisions for adequate reflection.
- Communicate, using standardized terms, the evolution of drivers of change and their fiscal impact before decision-making.

Administration's response:

Agree. As part of the business planning and budgeting process, The City outlines principles that guide decision making. The One Calgary Service Plans and Budgets outlined five principles that formed the basis for the service plans and budgets. However, these are not contained in Council approval. The principle of Value includes consideration of affordability; however, it does not speak directly to property taxes. Council has approved capital infrastructure investment principles that guide decision making for capital investment.

The analysis of property tax challenges, including drivers of change, is provided to Council as part of the indicative rates discussion early in the budget preparation process. However, communication in the planning stages tends to focus more on the reports and presentations to Council, with communication to citizens focused more after Council's decisions, including online and through social media.

Opportunities for Change:

There is an opportunity to create a more permanent set of principles around service planning and budgeting, and specifically highlight principles for setting tax rates. There is an opportunity to implement a more robust, performance-driven, strategic planning system to prioritize service level decisions. There is also an opportunity to focus more on clear, plain-language communication to citizens at every stage in the process, before decision making.

Action items:

- a) Administration will review the feasibility of establishing permanent Council approved principles before the beginning of the next planning and budgeting cycle.
- b) Administration will review the communications planning leading up to the different decision points in the cycle and implement changes on an on-going basis as feasible to deliver information to all stakeholders in plain language on the decision-making process, the content and the results.

Recommendation #3: Improve certainty and predictability around property taxation in Calgary.

- As economic agents, residents and businesses must be provided with certainty and predictability to make timely and well-advised decisions. They would benefit provided the plan is clear, and the commitment sustained over time, reducing business risks.
- Consider overall budgetary changes that adapt to the impact of inflation and population growth.

Administration's response:

Agree. The overall amount of property tax is relatively predictable, but the tax distribution remains subject to variability due to annual reassessment. The 4-year planning and budgeting cycle provides predictability for aggregate property taxes within the cycle as the four years are approved at the outset. Council also receives longer-term projections for revenue and expenditures, but no significant analysis is done on the implications for tax rates beyond the cycle. All analysis surrounding property tax recommendations include consideration of inflation, both for citizens (Consumer Price Index) and The City's operations (Calgary Municipal Price Index), and population growth. Recommendations that address individual property taxpayer volatility are included in #34 and #35. Recommendation #2 also contributes to certainty and predictability around property taxation.

Opportunities for Change:

There is an opportunity to explicitly indicate the potential property tax impacts of the projected revenues and expenditures, including on a "rolling" basis as The City adapts to recent changes to the financial planning requirements in the Municipal Government Act. It needs to be balanced and qualified in order to indicate the degree of uncertainty in years outside the current cycle. There is also an

opportunity to increase the public availability and communication of future projections of financial information.

Action items:

- a) Administration will begin incorporating an analysis of the property tax impacts of future financial gaps outside of the current budget cycle as part of the financial plan update requirements in the MGA as well as in the planning and budgeting process and the update of the LRFPP currently underway.
- b) In accordance with Action Item 2 (b) Administration will develop analysis and communication that can be available publicly when presentations are being made to Council.

Anticipate and respond to evolving economic conditions for residents and businesses

Recommendation #4: Establish annual reporting, including for public information, that reflects evolving economic conditions faced by Calgary residents and businesses. The goal is to generate evidence that would anchor decisions for a cyclical economy. Be responsive to economic conditions and taxpayer expectations in a meaningful manner. The elements in the periodic reporting would include:

- *Monitor* – List prevailing stresses and shocks on the local economy and the transmission mechanism to property taxes to minimize the impact of sudden shocks.
- *Anticipate* – Limit uncertainty by predicting future-year changes in the taxable assessment base using correlations with economic activity.
- *Sustain* – Improve reliance on the non-property tax revenue by limiting its volatility and increasing its growth before exploring offsetting property tax measures for shifts.
- *Segment* – Measure annual changes in property tax dollars charged to residents and businesses across the distribution of taxpayers (i.e. not just mean or median).
- *Respond* – Report on the distribution of the tax responsibility across subgroups of residential and non-residential taxpayers to better support timely responses.

Administration's response:

Agree, with limitations. The City currently produces and publishes an economic outlook semi-annually. The economic outlook provides the basis for the financial projections and budget analysis; however, given the nature of shocks, predicting changes in the assessment base is inherently limited. To help inform budget deliberations in November, Administration provided preliminary findings, including shifts between property types, in October since 2018. PFC 2019-1147 is an example of the updated practice. However, assessments are not finalized until early December, so the information presented has varied from the result. The finalized assessment information is available before the tax rate's finalization through the property tax bylaw.

The City has examined non-property tax revenues on an on-going basis. The SAVE program has revenue generation as one of its three workstreams, and within that is identifying and pursuing a range of opportunities for non-tax revenue generation. As well, The City is beginning a review of the User Fees Policy, which may enhance user fee reliability and contribute to reducing reliance on the property tax. The revenue sources for The City are restricted within provincial legislation. The City has advocated to the Province for over two decades for the ability to use alternate revenue tools. Administration, therefore, has limited ability to employ non-tax revenue tools unilaterally.

Opportunities for Change:

There is an opportunity to better link the economic outlook with the specific impacts on the property tax and assessment base. There is also an opportunity to enhance the reporting of the distribution of tax changes along with the distribution across subgroups. However, it may not be possible to incorporate

this into the budget approval decisions in November of each year. There may be an opportunity to consider the potential for lower volatility and increased growth in some non-tax revenues.

Action items:

- a) As economic outlooks are developed, Administration will integrate the outlook information more explicitly in the planning and budgeting processes. Administration will need to determine the best way of performing and reporting the analysis.
- b) Administration will assess the resource capability to develop and make available analysis on the distributional impacts of assessment and tax changes on an annual basis prior to the approval of the Property Tax Bylaw, and implement as feasible.
- c) Administration will consider this recommendation within the review of the User Fees Policy.
- d) Administration will continue to advocate to the province for municipal finance reform, including for expansion of revenue tools as opportunities are presented.

Anticipate, prepare and support the transition to everchanging economic realities

Recommendation #5: Prepare for the future by looking inwards and creating a good environment where businesses, small and large businesses, can thrive.

- The economy of any city is not static – businesses open and close, leading to economic shifts.
- Create conditions where communities, entrepreneurship and innovation can thrive.

Administration's response:

Agree. The City has a history of working with communities and business associations to make Calgary a great place to make a living and a great place to make a life. Some of these initiatives have delivered significant improvements for businesses. It includes initiatives such as the Downtown Strategy, the ZBR program, red tape reduction, partnerships with other organizations including the University of Calgary, Business Improvement Areas, and the innovation lab, to name a few. Administration has committed to continually improving City services to foster Calgary's business environment, innovation ecosystem, and help support businesses' success. For example, the Business Sector Support Task Force, established as part of The City's COVID-19 response, identified opportunities for improvement for the benefit of the business community.

Opportunities for Change:

There is an opportunity for continuous improvement in the business environment and to evolve as needs and technology allow.

Action items:

- a) Administration will continue to make partnerships a priority in examining ways to enhance Calgary's business environment, including continuing the Business Sector Support Task Force's work

Recommendation #6: Consider differentiated taxation for businesses and organizations that make significant contributions to the character and fabric of the city. It would include

- Organizations like BIAs
- Non-profit organizations
- Owner-operated small businesses with limited financial means

Administration's response:

Agree, with limitations. The City's taxation policy is constrained by provincial legislation. It has limited means to offer differentiated tax rates for businesses and organizations. Most not-for-profit

organizations are currently tax-exempt. Administration has advocated for changes to the legislation that would allow greater flexibility for The City. Administration would explore a differential taxation scheme and consider alongside feedback from stakeholder engagement that they result in the redistribution of the tax responsibility to other groups.

Opportunities for Change:

Without changes to legislation, there is limited opportunity for change in this area.

Action items:

- a) Administration will continue to examine the best ways to apply available tools.
- b) Administration will continue to advocate to the province for municipal finance reform, including the expansion of property tax flexibility as opportunities are presented. Link to Recommendation 1, 9 & 12.

Recommendation #7: Identify future value opportunities for the City and the capacity to adjust to the rapidly growing e-commerce activity level. Our economy is everchanging, and our activities should adapt to the transformation of behaviour in society. The connection between cities and citizens would increase in the future. Adapt City operations to these changes.

Administration's response:

Agree, with limitations. As noted above, The City's taxation policy is constrained by provincial legislation and has limited means to capture non-property related economic activity. While an increase in warehouse and distribution properties in Calgary has added to the assessment base, it is limited to the property's assessed value. The LRFP includes an analysis of trends for revenues and expenditures and incorporates changes into operations as deemed feasible. As well, trends are examined as an input into the service planning and budgeting process. Developing a better understanding of these changes would also support responding to changing service delivery needs.

Opportunities for Change:

There is an opportunity to consider more opportunities for improvement. Two examples would suffice. A more comprehensive cost/benefit analysis in advancing the implementation of operational changes in response to the changing environment. Without changes to legislation, there is limited opportunity to implement new taxation tools that address non-property related activity.

Action items:

- a) Administration will continue to monitor trends and incorporate advances into operations as feasible.
- b) Administration will continue our ongoing work to develop our approach to cost/benefit analysis for operational changes and its application, leveraging corporate endeavors (such as the SAVE program) to enhance organizational maturity in this area.
- c) Administration will continue to advocate to the province for municipal finance reform, including the expansion of tools to tax non-property related activity as opportunities are presented.

Recommendation #8: Leverage Calgary's economic strategy – "Calgary in the New Economy." Align decision-making priorities with the strategy.

- Focus activities on the four pillars of the strategy that involve making Calgary the destination for talent in Canada, the leading business-to-business (B2B) innovation ecosystem, the most livable city in Canada, and the most business-friendly city in Canada.
- Establish Calgary as a centre of excellence where businesses build the future.

- As a centre of excellence for energy, communicate specific initiatives that demonstrate long-term efforts at diversifying, including a sustainable energy sector and oil and gas industry. It should include tracking performance metrics, such as ESG scores, to demonstrate progress.
- As a centre of excellence for the digital economy, target initiatives addressing adaptable talent, digital governance and innovation, and corporate social responsibility.

Administration’s response:

Agree. Administration supports the economic strategy and agrees that activities should align with the strategy. The City is committed to working with Calgary Economic Development and other partners and in leading initiatives such as the Downtown Strategy that directly align with the strategy. All four pillars of the economic strategy are vital to Calgary’s success.

Administration is continually working towards being the most business-friendly city in Canada. We are strengthening our relationship with the business community. For example, during the COVID-19 response, The City collaborated with businesses by equipping them with resources and information to strengthen their resilience. Other efforts include improving our services and processes to attract, retain and support business opportunities. The City opened civic infrastructure (physical, digital and data) to the community to position Calgary as an innovation ecosystem, puts the customer first and adopts a “business-friendly” lens for City processes and initiatives.

Opportunities for Change:

There is an opportunity to explicitly align the principles underlying the service planning and budgeting process with the economic strategy, and include the impact of services on live ability and talent attraction in decision making. There is an opportunity to leverage aspects of The City’s operations, such as The City’s commitment to sustainable energy and being a centre of excellence for energy through focused communications. Administration will build on work to incorporate the economic strategy as an important consideration in developing and communicating the service plans and budgets

Action items:

- a) Administration includes the economic strategy as an input into developing strategic plan principles in 2(a).

Advocate for timely legislative changes by the other orders of government

Recommendation #9: Develop research and analysis that document the extent of the decline in bricks and mortar and the transition to new models of delivering goods and services. Use it to demonstrate that municipalities’ traditional real estate tax revenues cannot capture the transition to e-commerce transactions. Use the findings to advocate for the reform of municipal finances and the revenue-generating tools available to municipalities.

Administration’s response:

Agree. Administration has a long history of advocating for changes to the property tax system and access to alternative taxation tools. The effects of the COVID-19 pandemic make this recommendation even more urgent. This recommendation is also reflected in the advocacy priorities of The City as a result of the pandemic.

Opportunities for Change:

There is an opportunity to build a stronger case for change in discussion with the Province through evidence-based research on structural changes in the economy, consistent with Recommendation 1. It

includes the opportunity for Administration to expand the existing research program. There is also an opportunity to engage with external partners to leverage expertise and research opportunities.

Action items:

- a) Administration will scope a research and analysis program, including an environmental scan, and determine the resources required to deliver it effectively. A decision to pursue the program will include resources (internal and external partners) required to sustain it.
- b) Administration will use any results in the continued advocacy to the Province for municipal finance reform. Link to Recommendation 1, 6 & 12.

Focus on long-term fiscal sustainability

Recommendation #10: The goal is long-term fiscal sustainability.

- Establish and commit to the principle that long-term growth in revenue from property taxes shall reflect anticipated long-term population and real economic growth.
- Complement with ongoing work on prudent budgeting and spending.
- Although the mandate of the Financial Task Force did not include a consideration of initiatives targeted at spending discipline, Task Force members emphasize the vital role of spending discipline for achieving long-term fiscal sustainability.

Administration's response:

Agree, with proposed modifications. The City's LRFP states the overarching goal as financial sustainability and resilience. The LRFP provides the basis for financial analysis and decision making, including projections of property tax increases. However, The City's property tax revenue has grown increasingly as a share of overall revenue, indicating that while tax-supported spending has grown by less than inflation and population growth, the property tax increase is greater. It speaks in part to the difficulty of focusing on both total spending and property tax growth specifically. Administration will continue to deliver on the SAVE program deliverables.

Opportunities for Change:

Administration is currently reviewing and updating the Long Range Financial Plan. As part of this, there is an opportunity to more explicitly identify the link between The City's financial projections, including the projected property tax increases, and the growth in the overall economy, rather than just population growth and inflation.

Action items:

- a) Consistent with 2 (a) Administration will incorporate a broader view of the link between The City's financial projections, including the projected property tax increases, and the growth in the overall economy as part of the business planning and budgeting as well as the LRFP update.

Continuously consider guiding principles to inform execution

Recommendation #11: Use globally accepted guiding principles that generate a well-functioning property taxation decision-making process to secure a property taxation mandate from Council that captures Council's taxation priorities initially by 2020 Q4 and on an annual basis after that.

- The principles should align with those for a sound property assessment and taxation system.
- The annual mandate would provide clarity to Administration on the expectations for property tax options for Council consideration.

- The mandate would draw the link between the range of services, service levels and generally accepted principles for an effective taxation system.
- In the event of future tax shifts, the mandate would form the basis for adjusting services or service delivery to accommodate the shift as best as possible.

Administration's response:

Agree. The recommendation moves forward from recommendation 2 to provide details on expectations for the content of the principles and the methods for applying them. The opportunities for change and action items proposed for recommendation 2 would extend to recommendation 11.

Opportunities for Change:

See Recommendation 2.

Action items:

See Recommendation 2.

B. Practices that align with drivers of change

Make a case for remedies to address legislation that limits tools available in practice for non-residential tax relief.

Recommendation #12: Work with the provincial government to allow the legislator's intent on the definitions for non-residential subclasses for implementation by municipalities.

- Make them usable for The City and expand the tools available for responses when tax circumstances that are unique to certain non-residential taxpayer groups emerge.
- The main goal is to support targeted, temporary relief and not to target subclasses for permanently high taxation. The change cannot materially increase tax for any group. During economic cycles, some taxpayer groups are more adversely affected.
- Provide capacity for relief because the current sub-class definition makes for a blunt tool for property tax relief.
- Another goal is to support the general direction of tax policy for the long-term.
- Implement a review mechanism to confirm that the taxation arising from the assessment subclasses do not target a specific sub-class for higher taxation.

Administration's response:

Agree, with limitations. Administration has a long history of advocating for changes to the assessment and property tax systems that align with the principles of a sound assessment and tax system. The focus of the collaboration and engagement with the Province would be to develop sub-classes that are efficient and easily administered. Advocacy efforts for this change would need to be balanced with the advocacy efforts in recommendations 7, 9 and 22.

Opportunities for Change:

There is an opportunity to build a stronger case for change in discussion with the Province through evidence-based research on structural changes in the economy, consistent with Recommendation 1 and the analysis of the decline of "bricks and mortar" in Recommendation 9. It includes the opportunity for The City and external partners, to develop a strong expanded research program.

Action items:

- a) Administration will use any results in the continued advocacy to the province for municipal assessment and finance reform. Link to Recommendation 1, 6 & 9.

Investigate the ability to align charging fees or recouping the cost of services with the delivery of services that arise from provincial government direction or changes.

Recommendation #13: Collaborate with the province to authorize access to tools that address services that arise from provincial government direction or changes.

- Identify services that may have been directed to The City explicitly or inadvertently.
- The inadvertent transfer of responsibility occurs when third parties are no longer able or willing to deliver the services, but The City steps in for continuity as the last resort government service provider.
- These services have value for those who access them. Ensuring continuity, as well as adequate funding for those services, is vital.
- Use the results from the review to engage in a dialogue with the province. Collaborate to determine and agree on the fiscal tools necessary to allow effective delivery of those services by the municipality.

Administration's response:

Agree. Administration has advocated for access to funding tools to match changes in responsibilities. Administration could develop a consolidated study that considers all third parties. The City would remain open to discussions and negotiations for funding agreements or tools that require legislative changes with the Province. There can also be a misalignment between service levels that the Province and The City consider necessary, along with the impacts of not delivering the service.

Opportunities for Change:

There is an opportunity to identify a comprehensive list of services and associated costs redirected to The City. For those that relate to the Province, there is an opportunity to build a strong case for change in discussion with the Province through evidence-based research, consistent with Recommendation 1. There is also an opportunity to more clearly identify the costs of not providing a service.

Action items:

- a) Administration will scope a research program and determine the feasibility of proceeding with the required resources (internal and external).
- b) Administration will use any results in the advocacy to the Province for specific revenue/funding agreements and municipal finance reform. Link to Recommendation 1.

Ensure long-term, rather than short-term, fiscal arrangements are in place with other orders of government for the co-delivery or full delivery of public services.

Recommendation #14: Establish long-lasting revenue and cost-sharing arrangements with other orders of government whenever new municipal services are directed by other orders of government. The introduction of new services on a permanent basis, which adds incremental costs, should be accompanied by new revenue tools. Costs for new, permanent programs, like the recent introduction of the municipal cannabis program, should be accompanied by permanent, not temporary, municipal revenue tools. Failing which Calgary should pursue exemptions from implementation to achieve fiscal sustainability.

Administration's response:

Agree, with limitations. Administration has a long advocated for access to funding tools that match changes in responsibilities. The City also has actively advocated at the Provincial level through the Alberta Union of Municipal Associations and at the federal level through the Federation of Canadian Municipalities (including the Big City Mayor's Caucus). The City has no legal standing with the federal government and cannot negotiate funding without the involvement of the Province. The City cannot unilaterally declare any exemptions to services required by either the federal or provincial governments.

Opportunities for Change:

There is an opportunity to use evidence-based research, consistent with Recommendation 1.

Action items:

- a) Administration will continue to estimate implementation costs (temporary and permanent).
- b) Administration will use any results in the advocacy to the Province for specific revenue/funding agreements and municipal finance reform. Link to Recommendation 1.
- c) Administration will also continue to support advocacy efforts by AUMA and FCM.

Increase collaboration with regional neighbours in support of regional economic development while addressing cross-subsidization borne by The City of Calgary in favour of others in the region.

Recommendation #15: Work with intermunicipal neighbours on coordinated actions to support regional economic development. Seeking synergies in service provision and prioritizing economic development at the Calgary Metropolitan Region Board. Investigate municipal governance structures that promote the cost-effective delivery of services for regional economic benefit.

Administration's response:

Agree. The City has a long history of collaboration with regional and intermunicipal neighbours. The economic and financial health of The City and region could be advanced in the short term by prioritizing economic development within the work of the Calgary Metropolitan Region Board. Over the longer term, it may become necessary to look at alternative municipal governance structures/municipal restructuring to better align revenue generation with the provision of needed municipal services.

Opportunities for Change:

Keeping mind that long term solutions involving governance structures may be needed, in the short and medium-term more work could be undertaken to advance the Calgary region as a globally competitive entity through collaborative economic development.

Action items:

- a) Administration will continue to advance the idea of prioritizing regional economic development.

Recommendation #16: Investigate cross-subsidization for non-Calgary residents and businesses in the Calgary region that benefit from City services for potential cost-sharing. Investigate new revenue opportunities that address cross-subsidization borne by The City of Calgary in favour of others in the region, including:

- *Cost-Sharing Agreements* – with regional partner municipalities. They can be applied to recover costs for shared services and shared use of infrastructure.
- *Sharing property tax revenue* – with neighbouring municipalities. An example is the use of Joint Economic Development Initiatives (JEDI) type agreements.
- *Differential User Fees* – to recover subsidies to regional users of City services.
- *Collaboration Agreements* – where Calgary and regional partner municipalities work together on applications for infrastructure funding from other levels of government.

Administration's response:

Agree. The Calgary region has experienced significant growth over the past decade; there is an increasing awareness of the impact of that growth on Calgary's finance and infrastructure. New revenue streams could be further investigated that could involve regional or intermunicipal agreements (cost-sharing agreements, tax sharing agreements) and fees directly charged to consumers of City service (user fees).

Opportunities for Change:

As the Calgary Region continues to grow, it is becoming increasingly important to understand the impact of these trends on The City's financial situation. The ability to secure new revenue streams will rely on evidence and effective intermunicipal relationships. All local governments in the Calgary region are working to secure revenue in support of citizen services, and this may limit the success of future negotiations.

Action items:

- b) Administration will continue to investigate and work collaboratively with intermunicipal neighbours to raise awareness, investigate growth impacts, and identify opportunities.

Recommendation #17: Ensure that the investments made by The City that support regional growth do not decrease Calgary's competitiveness. Investigate measures to reduce costs borne by The City from regional growth, including:

- *Recovering the cost of growth* – by working with intermunicipal neighbours to establish off-site levy/levies to be imposed on an intermunicipal basis.
- *Cross-corporate regional servicing* – where service provision by The City to the region is synchronized to minimize costs and achieve positive cross-corporate cost/benefit.
- *Targeted annexations* – by ensuring that future annexations will provide for the best possible cost/benefit outcomes for The City.

Administration's response:

Agree. The recommendation is mostly a continuation of Recommendations 16. Administration stresses that many of the proposed measures require active collaboration and cooperative relationships. Any differences in the best possible cost/benefit outcomes for The City versus those for the Region and individual partners (including targeted annexations) may create conflict, and there is a need to balance accordingly.

Opportunities for Change:

See Recommendation 16. There is an opportunity to advance intermunicipal discussions on off-site levies and for The City to examine the impact of delivering services to the region.

Action items:

- c) In addition to the action related to Recommendation 16, The City will investigate an administrative corporate protocol to evaluate and mitigate the range of impacts and issues that potentially result when services are extended beyond Calgary's jurisdictional boundary.

Achieve a balance between a great city in which to live and having a competitive level of taxation.

Recommendation #18: Further develop and sustain Calgary's superior livability outcomes while having competitive residential and non-residential property taxes.

- The goal is tax competitiveness.
- Use the other five largest Canadian cities and the other five large regional municipalities in the Calgary region for the comparison.
- To be transparent and credible, adjust for differences in the range and level of service as well as extent of fiscal tools as best as possible across jurisdictions.
- Measure and benchmark tax competitiveness using municipal property taxes per square foot for non-residential property.
- At the same time, ensure a balance so that taxes are competitive per unit of representative residential dwelling.

Administration's response:

Agree – with proposed modifications and limitations. The ultimate goal of the recommendation is to achieve tax competitiveness. To provide content to inform decisions, Administration participates in several benchmarking programs. The recommendation includes a specific new measure. Administration is cognizant of the overarching goal. Administration would bring information to Council, given that Council has indicated a preference for the same goal, to inform the decision-making process.

Specifically, Administration would provide information whenever the risk of becoming less competitive arises.

Administration participates in Municipal Benchmarking Network Canada (MBNCanada), a network of Canadian municipalities using data to continuously improve the way services are delivered. More information on the network is available [here](#).

Administration produces an annual Residential Property Taxes and Utility Charges Survey comparing property taxes across municipalities. However, cross-municipal comparisons are complex due to numerous differences. Controlling for 'all' differences is a time-consuming, resource-heavy initiative. It must be balanced by the impact that such a research program would have on tax competitiveness and the value that such a program would provide. Data collection also depends on the willing participation of other municipalities to understand the full context and may be delayed or restricted by resource constraints. As well, some municipalities elect not to participate in cross-jurisdictional comparisons. By its nature, comprehensive cross-municipal comparisons are dated and may not reflect the most recent policy decisions.

Opportunities for Change:

Task Force members have specifically proposed measuring municipal property taxes per square foot for non-residential property. Administration would endeavour to undertake the research. There is an opportunity to incorporate additional information into the Residential Property Taxes and Utility Charges Survey for enhanced comparability. There is also an opportunity to leverage MBNCanada results more explicitly in communications and decision making.

Action items:

- a) Administration will review the feasibility of enhancing the data collection in the Residential Property Taxes and Utility Charges Survey and implement changes as appropriate.
- b) Administration will review MBNCanada information (and other benchmarking information available) related to this recommendation and determine if additional benchmarking is required.
- c) Administration will review the communication of information to Council in support of decision making and to the public and implement changes as appropriate.

Adopt an evidence-based approach to determining the distribution of tax responsibility between residential and non-residential classes and within each class, including the possibility of pegging the mill rate and using reserves for stabilization.

Recommendation #19: Contract with a reputable independent expert to provide an acceptable and reasonable split of the property tax responsibility between residential and non-residential taxpayers.

- Determine the objectives that would inform the determination of the acceptable and reasonable split.
- Incorporate the outcomes of recommendation #12 that targets making subclasses usable.
- Explore the viability of pegging mill rates and options (if any) that would work for the Calgary context.
- The extent to which it makes sense to determine tax rate thresholds that once breached would trigger the need for mill rate stabilization using an existing or a new reserve.
- The range of fiscal tools, including reserves like the fiscal stability reserve, to minimize tax volatility while also maintaining a stable fiscal position.
- The policy guidelines that would focus on stronger discipline for using the fiscal stability reserve and a minimum level of reserves dedicated to mill rate stabilization.
- Complete the exercise no later than 2021 Q2.

- Use the results to address the risk that one taxpayer category may be overpaying for services.
- Use the results to anchor future tax redistribution decisions.

Administration's response:

Agree – with proposed modifications and limitations. Administration agrees in principle that independent, expert analysis of the revenue split can improve the decision making and acceptance of the overall taxation system.

Because it is impossible to peg both the tax rate and the revenue share, the objective of the independent review is to secure a third-party expert opinion to inform long-term practice. At present, the tax rate for one assessment class (e.g. non-residential) is a function of the required revenue and the assessment. Administration's preliminary assessment is that if the tax rate of one class is pegged to another, it cannot be adjusted to meet the targeted revenue shares. Administration's preliminary assessment is that it is challenging to empirically verify the optimal assignment of costs and values of services across taxpayer categories.

The implementation update that is due to Council by 2020 July 29 would include an analysis of the costs and benefits of proceeding with the review as well as the viability of completion by 2021 Q2 given the challenges associated with the COVID-19 pandemic.

Opportunities for Change:

There is an opportunity to improve decision making and public acceptance of decisions through an independent analysis. There is an opportunity to solicit independent expertise on a significant component of taxation policy, especially the use of the fiscal stability reserve.

Action items:

- a) Administration will refine the scope of a potential analysis and review the feasibility of proceeding with an independent expert in the development of municipal tax policy and recommend a delivery date that considers resource constraints if appropriate.
- b) Administration will review the validity and generalizations of any results in accordance with 1 (b).
- c) If the study proceeds, Administration will incorporate results into policy recommendations to Council as appropriate.

Reduce tax volatility over time for individual residential and non-residential taxpayers to limit the risks associated with the cost of living and doing business in Calgary.

Recommendation #20: Calgary residential and non-residential taxpayers need to rely on stable property tax payments with low and predictable changes over time.

- Change the approach from determining the level of services before finding the tax dollars because it runs the risk of creating volatility.
- Reduce the risk of volatility by determining maximum revenue growth and then finetuning the level of service to meet the restricted revenue growth.
- Recognize that some thin-tail risk events, such as the COVID-19 pandemic, that would be challenging to accommodate.

Administration's response:

Agree – with potential modifications. Individual volatility can occur due to market-driven, redistributive forces within the assessment processes. Recommendations 12 and 19 are meant to address assessment-

driven individual taxpayer volatility. In terms of tax-supported operating budget volatility, this appears to conform to The City's current approach, whereby Council provides an indicative tax rate at the outset of the process. The service planning and budgeting process includes a review of the financial projections and confirmation of the indicative tax rate before determining allocation to service levels. Furthermore, the property tax is determined after growth in other revenue sources is considered. Service levels are then identified within the ceiling of the indicative tax rates.

Opportunities for Change:

There is an opportunity to create more stability by establishing a permanent set of principles identified in Recommendations 2 & 11. There is also an opportunity to improve stability through the City policy resulting from Recommendations 12 & 19.

Action items:

- a) Administration will include stability and predictability as a consideration in developing the principles, recognizing this must be balanced with the need for stability and predictability for services that citizens need.
- b) Administration will review the validity and generalizations in accordance with 1 (b).
- c) Administration will develop clear tax policy in alignment with 2 (a) & (b), 12 (a) and 19 (b).

Identify and work to leverage the untapped revenue potential from the traditional municipal revenue sources.

Recommendation #21: Work with The City of Calgary's Economic Resilience Task Force to assess the extent to which The City of Calgary has fully explored revenue from existing authorities. Address the speculation that The City is not using revenue authorities to full effect. Undertake a comprehensive review and gap analysis on the use of traditional revenue sources. The review should consider legislative changes required to acquire authority (if applicable) and administrative practices that need changing for execution. The tools to consider include but are not limited to:

- *Return on Assets and Investments/ Proprietary Charges*
 - a. Develop and implement additional revenue from a strategic review of the business activities, proprietary charges and dividend policies of municipal corporations, such as ENMAX, Calgary Parking Authority.
 - b. Develop and implement the generation of recurring fees from the use of City assets and the one-time sale of excess capacity or assets (e.g. land that is not used or required).
 - c. Develop and implement the generation of returns from a public-private partnership for non-essential services, e.g. golf courses.
 - d. Invite proposals from members of the public and firms that would generate ideas to tap the unused potential.
- *Regulatory Charges*
 - e. Explore the use of regulatory charges, like 'franchise fees' or 'local access fees' for services provided in the City of Calgary which do not otherwise pay property tax (e.g. telecommunications infrastructure).
 - f. Advertisement charges that include billboards and digital ads targeted in Calgary.
 - g. Develop and implement licensing charges for business vehicles. It provides an opportunity for targeted relief when required for businesses.
 - h. Develop and implement the extension of business licensing requirements to a wide variety of home-based businesses.
- *User Fees*

- g. Apply total cost for municipal services complemented with Calgary resident discounts for certain services (e.g. park and ride) to achieve differential user fees.
- h. Develop and implement the sale of memberships and long-term subscriptions for access to a wide range of services, e.g. golf courses.
- i. Charges for the use of proprietary assets, e.g. data.
- j. Deliver non-essential services only if the costs are fully recoverable through user fees.
- *Taxes*
 - m. Develop and implement taxes that would focus on tourists and visitors that use City services.
 - n. Seek agreement with the province to share revenue generated during “boom” years for a rainy-day fund to mirror the heritage fund.

Develop and implement additional new economy revenue options because the transition to the new economy poses a significant downside risk to some existing sources.

Recommendation #22: Work with The City of Calgary’s Economic Resilience Task Force to assess the extent to which The City of Calgary can generate revenue from new sources as we transition to the new economy. Undertake a comprehensive review and gap analysis on the utilization of new economy revenue sources. The review should include a consideration of legislative changes required to acquire authority (if applicable) and administrative practices that need to change for execution. The tools to consider include but are not limited to:

- *Return on Assets or Investments/ Proprietary Charges*
 - a. Consider investing in broadband infrastructure to gain long term dividends, including through partnerships with the telecommunications industry.
 - b. Invite proposals from members of the public and firms that would generate ideas for new economy revenue sources.
 - c. Exchange value created by City, e.g. data and other assets, subject to privacy rules, for private sector services or dollars to limit cost pressures.
- *Regulatory Charges*
 - d. Develop and implement ‘franchise fee’ type charges that leverage value in regulated assets that reflect the transition to the new economy, e.g. Calgary’s 5G infrastructure.
- *User Fees*
 - e. Develop and implement vehicle permitting charges with the transition to driverless cars.
 - f. Develop and implement licenses for new economy services, e.g. e-scooters, ride-sharing.
- *Taxes*
 - g. Develop and implement a separate property tax class to capture businesses that are not bricks and mortar businesses operating outside the property assessment system.
 - h. Develop and implement taxation for e-commerce revenue generated from local consumption of goods and services not reflected in bricks and mortar.
 - i. Develop and implement a tax on home-based small businesses that would become more prevalent due to the transition to the new economy. Consider a different tax rate if a home is used as an office but address the trend toward increased home-work.

Administration’s response (to Recommendations 21 & 22):

Agree, with limitations. Administration considered Recommendations 21 & 22 to be similar in intent and approach. There was insufficient time for the detailed analysis needed, which led the Task Force to hand over to the Economic Resilience Task Force (ERTF). The ERTF review of the application of potential revenue sources is an important aspect of property tax management and long term financial sustainability. In addition, these fees and charges would need to be considered in terms of economic

competitiveness, ease of implementation and administration, a balance between social and individual benefits and the contribution to “a great place to make a living, a great place to make a life.”

There are other pieces of work underway to facilitate progress on the recommendation. A few examples are available below. The LRF update explicitly considers different revenue sources and takes an approach that allows examination at the service level. The LRF also considers the challenges and opportunities of emerging trends. The User Fees Policy review can be structured to be consistent with reviewing the use of a subset of these revenue sources. However, any change to taxation or other legislated authorities will require the participation of the provincial government.

Opportunities for Change:

There is an opportunity to leverage the knowledge of the ERTF members to gain significant guidance on the approach to revenue sources. There is an opportunity to explicitly incorporate this review into ongoing pieces of work at The City, including the LRF update and User Fees Policy review.

Action items:

- a) Administration will solicit input from ERTF members.
- b) Administration will undertake a review of revenue sources that have not already been explored via the SAVE program, the LRF update, the User Fees Policy review and improvement work as appropriate.
- c) Administration will include the results of the review in the continued advocacy to the Province for municipal finance reform.

Enhance the approach to ongoing communication with residents, businesses, and other orders of government.

Recommendation #23: Make changes to the content and form of communication with members of the public and other orders of government so that there is a better understanding of efforts at:

- *Education Support*
 - a. Simplify property taxation and municipal finance communication using plain language. While certain concepts and terms may be tools of the trade, they are less meaningful to taxpayers, e.g. a 3% property tax increase does not translate into 3 % increases for individual taxpayers.
 - b. Make the distinction between operating and capital budgets more transparent. Consider the use of terms that make sense to the public, e.g. using ‘investments’ for ‘capital.’
 - c. Actively address misinformation on municipal finances. Letting them linger without correction adds to the confusion.
- *Cost-effectiveness*
 - d. Communicate initiatives underway to reduce municipal government costs, such as the Solutions for Achieving Value and Excellence (SAVE) program.
- *Demonstrating value*
 - e. *Include the variety of services the municipality provides and draw a better link between the level of public consumption of municipal services and the property taxes paid.*
- *Transparency and stability*
 - f. *Transparency* – Affirm the recommendations of the Tax Shift Assessment Working Group. Continue to improve transparency about how tax dollars are deployed, starting with clarity about the provincial and municipal split.
 - g. *Stability* – Work with the province to minimize volatility created by changes in provincial property requisitions that impact aggregate property tax payments.

Administration's response:

Agree. Administration currently has an active public communications program around finances and property taxes through assessment and tax bill notices, traditional media, The City's website and social media. The City continually reviews the messaging to improve clarity and enable a greater level of understanding within the community.

Opportunities for Change:

There is an opportunity to continuously improve the clarity of the message, how the message is delivered and when, and to advertise the resources that are available to citizens that enable greater clarity.

Action items:

- a) Administration will emphasize the points raised above in communications and review the language associated with the property tax system for clarity.
- b) Administration will include property tax volatility as a subject for discussion with the province.

C. **Processes that respond to stakeholder expectations**

Continue to expand the existing development and building processes to enable development activity and growth in an appropriate way by considering aggregate economic impacts.

Recommendation #24:

- Anticipate and monitor changes in the evolving residential and non-residential real estate markets while supporting private market activity.
- Continue to expand the existing development and building processes to:
 - Enable development activity and growth in an appropriate way.
 - Support economic development and maintain employment and business growth.
 - Ensure adjustments to economic conditions and the aggregate impact on the economy.
 - Moving forward, to the extent possible, favour the occupation of the empty office spaces in downtown Calgary.
- Monitor key economic indicators for the City of Calgary. As we transition to the new economy, the forecasts should support The City's approval process and track the level of reliance on different sub-groups in the tax base.
- Assess the cumulative impact of approval decisions rather than individual decisions, and work to share the information with individual applicants to inform their decision-making.

Administration's response:

Agree. It aligns with Administration's current processes. As noted in the responses to recommendations 1 & 4, The City currently produces and Economic Outlook semi-annually. The Outlook lays the foundation for decision making for both financial and planning matters.

Opportunities for Change:

There is an opportunity to review and refine the information provided in the Outlook and other sources of information as inputs to decision making, as well as the use of the information in planning decisions. In addition, more specific analysis and reporting on the cumulative impact of approval decisions and other information helps with anticipating and monitoring changes in the market.

Action items:

- a) Administration will solicit input from ERTF members.
- b) Administration will incorporate a review of revenue sources explicitly into the LRFP update, and the User Fees Policy review.
- c) Administration will include the results of the review in the continued advocacy to the province for municipal finance reform.

Strive for a higher uptake of the tax installment payment plan to improve cash flow smoothing by changes to the customer experience including nudging.

Recommendation #25: Increase the uptake on The City's Tax Installment Payment Plan (TIPP) program by developing and implementing processes for pursuing intrinsic motivation in addition to extrinsic motivation.

- Expand extrinsic motivational cues, such as financial rewards, to encourage uptake on the TIPP program. Examples are considerations for adjustments to the sign-up fee and potential financial incentives like one-time discounts.

- Expand the methods applied to increase TIPP program uptake to include nudging. Nudging focuses on intrinsic motivation using subtle hints, and evidence from behavioural economics suggests that it is more effective than extrinsic motivational cues.

Administration's response:

Agree. The City has a long history of encouraging TIPP participation. However, any financial incentives need to balance the cash flow and other benefits with the cost of the incentives. In addition, consideration must be given to ensure that potential incentives to encourage new participants do not result in abandonment of the program by current participants, and are equitable to all taxpayers.

Opportunities for Change:

There is an opportunity to review and refine the approaches used to encourage TIPP participation.

Action items:

- a) Administration will review the potential for incentives for TIPP participation and bring a recommendation to Council by Q4 2021.
- b) Administration will review nudging to determine how it can be used to increase TIPP participation.

Maintain processes that allow the annual practice of property assessments and valuation because it provides evidence that enables The City to anticipate changes.

Recommendation #26: Do not sacrifice high-quality information available through annual property assessments that improve the ability to monitor and respond to underlying changes in the economy and real estate markets.

- Maintain the practice of undertaking annual property assessments to generate baseline information about the underlying shifts in the property tax base. Without frequent updates, it would be challenging to anticipate changes in the distribution of the tax responsibility across groups.
- Review the best way to use that information to position The City to respond to the changes.
- Recognize evidence of the limited cost savings from a transition to undertaking assessments less frequently, such as biennially or every three years.
- Conducting assessments every year should not necessarily lead to or translate to direct and immediate changes in the distribution of the tax responsibility.

Administration's response:

Agree. The City is limited by legislation in terms of assessments and the application of tax policy to assessments. Administration believes that maintaining annual property assessment is worthwhile, regardless of provincial legislation.

Opportunities for Change:

There is limited opportunity at this point as The City is bound by legislation to annual assessments and the application of tax rates. There may be an opportunity to consider the use of subclasses within the residential class to mitigate some distributional impacts of assessments. There may be future opportunities for management of distributional impacts depending on the outcome of advocacy related to Recommendation 12. There is a connection to Recommendation 35.

Action items:

- a) Administration will continue the annual assessment cycle.

- b) Administration will review the use of non-residential subclasses to mitigate the distributional impacts of changes in assessments.

Revise steps in the process to ensure that the assessment roll is completed before indicative tax rates to deliver timely information to decision-makers.

Recommendation #27: Address the misalignment where the approved tax rate decisions occur before information on the distribution of annual property assessments through the property assessment roll is available.

- Develop and implement changes to processes for the assessment roll that would allow earlier information on the results of annual property assessment exercises.
- Adjust the timing of the approved tax rate decision or the timing of assessment roll completion or both
- When determining tax rates for budget approval, provide as much information as possible on the distribution of the tax responsibility across classes (and sub-classes if applicable).
- The information should include impacts of a range of tax rate decisions on different classes and sub-classes and non-residential taxpayer groups, such as retail, office and warehouses.
- Affirm recommendations from City Council's Tax Shift Assessment Working Group requiring the same type of information for the indicative tax rate decision before the approved tax rate decision.
- Seek legislative and regulatory changes from the provincial government where necessary, including a date change for finalizing each property's condition. December 31 is currently the day to finalize the property condition.

Administration's response:

Agree, with limitations. Administration agrees that providing the most information available to Council at the time of tax rate decisions, including the distributional impacts of the most current assessments, is optimal. The City is currently bound by the legislative timeframes, which does not conform well to the November budget approval. The timing does work well with the finalization of the property tax rate through the Property Tax Bylaw.

Opportunities for Change:

There is limited opportunity at this point as The City is bound by legislation to the valuation date and the date for the finalization of the condition. While the creation of assessments could be brought earlier, there would be an increased risk that assessments would not reflect the condition of the property as of December 31 and require amendment, unless the legislated condition date is changed. There may be an opportunity to bring interim information to Council at the November budget deliberations, although this needs to be balanced with the potential for changes to that information. Some assessment information was included in the 2020 Adjustments deliberations in November 2019. There is an opportunity for incorporating this information more explicitly at the time of approval of the Property Tax Bylaw (normally in the Spring of each year for the current year) and has been done in 2019 and 2020. However, it is more disruptive to enact budget changes in the Spring of the current year as the year and service expectations have been set and communicated with the public. As such, it would be less desirable to make changes to the previously approved tax decisions.

Action items:

- a) Administration will review the feasibility of expanding interim assessment information into the budget and adjustments reports, beginning with the 2021-2022 Mid-Cycle Adjustments in November 2020. Longer-term changes would involve changing traditional dates and cycles for

assessment process work and will require extensive communication with the public on changes to timelines and processes. Are we recommending any legislative advocacy for change?

- b) Administration will incorporate additional distributional impacts in the information to Council and communications to the public at the time of both Indicative Rate approval and the Property Tax Bylaw approval.

Continue to develop processes that yield information on the extent to which City services benefit residents and local businesses to incorporate in decisions.

Recommendation #28: Address the distinction between two elements. First, the value of services, privileges and The City's value proposition. Second, the cost of services that benefit residents and businesses in the city. The difference would represent City services afforded to non-residents.

- Develop and implement processes that would generate good and acceptable information about the value of services provided by The City that do not accrue to residents and businesses in the city.
- Develop and implement a cost of service study, starting with those services for which the estimation process is easier and faster to complete.

Recommendation #29: Use the information to better understand the level of support The City affords visitors and residents in the region. Incorporate the findings into the decision-making process for cost-sharing arrangements with regional partners.

Recommendation #30: Incorporate the information generated from the process changes into a future review of user levies.

- Existing processes for determining user levies already incorporate the distinction between private and societal costs. The practice of focusing on the recovery of private costs for services would continue to apply to city residents and businesses.
- Consider the addition of societal costs for services to non-residents without discouraging non-Calgarians from increasing economic activity through their spending in Calgary.

Administration's response (Recommendations 28 – 30):

Agree – with concerns. Administration considers Recommendations 28 – 30 to be linked. The current User Fees and Subsidies Policy identifies the opportunity for differential pricing for non-residents. The City has also completed cost of service studies for Utilities. The results can provide valuable information in support of Recommendations 15-17. However, it may be considerably more difficult to segment the costs for services that have more diversified outputs.

Opportunities for Change:

There is an opportunity to generate estimates that provide a greater evidence-based approach to regional funding and delivery discussions.

Action items:

- a) Administration will review past and ongoing work in this area, and assess the need for and the feasibility of conducting cost of service studies for various services, providing a recommendation to Council no later than Q4 2021, along with a timeline to complete any additional studies within available resources.
- b) Administration will incorporate the results of the studies into recommendations around regional discussions and negotiations as well as recommendations for user fee pricing.

D. **Policies to support achieving fiscal sustainability**

Taxation policy and its implementation ought to balance stability in the level of taxation relative to the level of service.

Recommendation #31: Adjust the taxation policy and its implementation to balance the level of service and taxation level in favour of long-term stability in taxes over stable services:

- *Build flexibility to service delivery* – plan for differentiated operational flexibility of service level provision, not the elimination of services that Calgarians have come to rely on, to allow adjustments to the costs to deliver services promptly. For example, adjusting the frequency of garbage collection to accommodate financial circumstances. It would be beneficial to:
 - Underlie the analysis that would inform decisions with a triple bottom line review of impacts to avoid defunding vulnerable groups or generating unintended consequences.
 - Outline and communicate the options available for consideration and the rationale for the Council decisions.
- *Adjust to Taxpayer Preferences* – Recent survey data, following the downtown tax shift, suggested that Calgary taxpayers are more tolerant of volatility in the level and breadth of services than tax volatility. Conduct additional survey analysis to verify the findings and update taxation policy as required to adjust by leveraging the flexibility built into service delivery.
- *Exception for New Services* – Recognize better acceptance of increases in taxes whenever new services or service improvements occur that lead to the increases.
- *Private Sector Support* – Adjustment to services in constrained environments should include contracting out services wherever possible. It would consist of a business case that confirms that cost savings would materialize – prioritizing the local business community where it makes the most sense. Consider adding the cost of administering the contracts (i.e. contract administration) as an administration fee.
- *Municipal Finance Communication* – Intensify communication on the link between taxes paid and services received. Recognize that many taxpayers have a tax input-to- service output view of municipal finances.
- *SAVE Program Review* – Embrace the findings from the detailed review of the balance of spending activities relative to existing taxation authority already underway.

Administration's response:

Administration proposed the following modifications. In the discussions, the Financial Task Force members recognized this could have a profound impact on service levels that Calgarians need and rely on, and could result in unintended consequences.

The proposal from the Task Force would mean to achieve long term tax stability. Service delivery would be flexible, a concept such as temporary changes in service to maintain tax rate stability. The Task Force was concerned that necessary services for vulnerable populations could be at risk. In addition, approximately two-thirds of the tax-supported budget supports public safety and transportation services.

Further research would need to be conducted to understand long term policy implications where surveys may indicate that taxpayer preferences may change from year to year. Administration believes the stability and certainty that is the goal of this recommendation can be achieved through Recommendations 2, 3 and 11. As noted in the response to Recommendation 20, the adjustment of service levels to affordability, as indicated by Council decisions, is a prominent step in developing service plans and budgets. The SAVE program was identified as a critical initiative and has continued to focus on

increasing efficiencies and reducing costs, not limited to some of the concepts presented above. There may be circumstances that prevent preferences for tax stability over service stability. In that case, Council would be provided with evidence to make that decision. In addition, the recognition of tax increases for new services or service improvements assists in the development of policy.

Opportunities for Change:

There is an opportunity to include these factors in the principles developed in 2 (a) & (b).

Action items:

- a) Administration will consider these factors in the development of principles in 2 (a) and 11 (a).
- b) Administration will forward recommendations of the SAVE program to Council through the Adjustments process.

Extend tax rates as a potential tool for countercyclical fiscal policy

Recommendation #32: Advocate for the scope to deploy countercyclical fiscal policy at the municipal government level when the local economy is in a recession, by starting with the following tools and then expanding on them:

- Tax rate reductions as targeted relief for businesses whenever economic conditions suggest that the relief would generate economic stimulus.
- Explore the benefit of the timely conversion of underutilized or vacant land into structures when required to spur economic activity
 - Explore the benefits before proceeding with such tools, including legislative changes that improve the ability to achieve goals.
 - Encourage the use only when the benefits exceed the costs, otherwise rely on existing tools available through tax rate changes and other tools.
 - Incorporate rules that would allow discontinuation of such practices when the evidence indicates that anticipated positive net benefits do not materialize.

Administration's response:

Agree, with limitations and concerns. Administration agrees that countercyclical fiscal policy can be desirable for governments. Administration agrees with evaluating those opportunities that are within current legislation. For countercyclical fiscal policy to be applied effectively, The City would require legislative changes and, therefore, the consent of the Provincial government or explicit approval by Council. Given the limited fiscal capacity of the municipal government, there are limited means to impact the economy at a significant level and therefore require coordinated fiscal policy at the Provincial and Federal levels to be effective.

Opportunities for Change:

There is an opportunity to include these factors in the principles developed in 2 (a) & (b).

Action items:

- a) Administration will review opportunities to enact countercyclical fiscal policy within the current legislation and report to Council with recommendations by Q4 2021.
- b) Administration will include access to tools to enact countercyclical fiscal policy in the continued advocacy to the province for municipal finance reform.

Investigate the reasons for the crisis level vacancy rate in the downtown office market and respond with actions and policy changes to the regulatory environment that enhance attractiveness.

Recommendation #33:

- Implement targeted engagement and surveys to learn the motivations of businesses that leave downtown Calgary for other parts of the city and new businesses that choose to locate outside downtown Calgary despite low-cost, abundant office space in downtown Calgary.
- Use the findings to inform policy changes to the regulatory environment that would make downtown Calgary, and other parts of Calgary, more attractive.
- In addition to policy changes, determine the actions and activities that The City and community can do to alleviate that crisis.
- Some of the activities would include
 - Promoting the benefits of the business environment in Calgary to retain and attract businesses.
 - Demonstrating that Calgary is a modern city that is the centre of activity beyond oil and gas activity.
 - Emphasizing the high quality of life in the city and the quality of governance and policymaking in the city to encourage growth right across the city.

Administration's response:

Agree. Administration views this as complementary to Recommendations 5 & 8. We interpret this as communication of the results of 5 & 8. The City partners with CED to promote Calgary as a place for business investment. As well, The City initiated the Downtown Strategy to work on solutions that would attract businesses to Calgary.

Opportunities for Change:

There is an opportunity to leverage the current partnership with CED to enhance the promotion of Calgary and incorporate any new direction resulting from Recommendations 5 & 8. There is an opportunity to gather additional information on location decisions of businesses, in support of evidence-based decision making, consistent with Recommendation 1.

The recommendation is supported by findings from The City's Business Perspectives Research conducted in May 2019 in which businesses suggested The City's priority in working with businesses should be economic diversification, better management of spending and helping small businesses. Reducing red tape and allowing better/easier access to permits was also included in the list for some business leaders. These insights validate The City's need to partner with the business community to improve City services continually and create the conditions for businesses to thrive. To continue to support businesses, The City needs to address issues which may cause Calgary to be less competitive for businesses considering locating to Calgary, or existing Calgary businesses and start-ups.

Action items:

- a) Continue promoting Calgary, including through CED, and improve efforts on economic resilience.
- b) Administration and City Partners, involved in the Downtown Strategy, will scope a survey or study to assess the reasons businesses have relocated from downtown to the suburbs and vice versa and determine the feasibility of proceeding with the exercise within available resources.

Avoid ad-hoc decision-making and resist the urge to apply one-time mitigation measures

Recommendation #34: Make property taxation policy more predictable by limiting one-time mitigation tools, such as phased tax programs and rebates, to address imbalances across taxpayer groups.

- *Build Credibility* – Support municipal property taxation policy credibility by limiting the use of one-time mitigation tools to exceptional circumstances. The pressure to re-use a one-time mitigation tool in consecutive years should be resisted and interpreted as the need for immediate implementation of tax policy reform.
- *Improve Targeting* – Avoid using one-time mitigation tools that are determined to be blunt tools during the investigation and analysis process. Seek legislative change, as required, for long-term tools that would improve targeting in Calgary’s ever-evolving economy.
- *Educational Support* – Provide information directly to residents and businesses. Disclose taxation policy in plain language. Explain the long-lasting effects of one-time mitigation programs ahead of time, so taxpayers can better understand and anticipate changes to their tax bills.
- *Make exceptions for low probability, but high-impact (thin-tailed) events* – The emergence of the COVID-19 pandemic in 2020 confirms that thin-tailed risks attributable to once-in-a-lifetime events could arise. Incorporate flexibility to accommodate such thin-tailed risks. Such thin-tailed risk events could require continuous use of one-time mitigation.

Administration’s response:

Agree, with limitations. Administration views this as complementary to Recommendations 2, 11, 12, 19, 20 and 31. However, The City is limited by current legislation in terms of mitigation opportunities and will be constrained in the ways we can mitigate any short-term impacts.

Opportunities for Change:

Administration supports recommendations that would minimize the need for one time measures. There is an opportunity for additional clarity and predictability through the communication of formal, documented taxation policy based on accepted principles.

Action items:

- a) Administration will prepare plain language communication on the longer-term impacts of one-time mitigation tools.
- b) Administration will prepare a formal taxation policy reflecting the most current Council decisions that include potential mitigation and present to Council prior to the approval of the 2023-2026 budget cycle.
- c) Administration will update the taxation policy as further research is conducted, including 19 (a).

Investigate a multi-year assessment smoothing for tax policy update emphasizing evidence from the 2015 to 2019 downtown tax shift for a long-term policy response

Recommendation #35: Given recommendation #26 to maintain the annual market value assessment process, investigate a multi-year assessment smoothing for taxation policy update. If warranted, establish revisions to the policy guidance for transmitting the results of annual market value assessment into taxation. The goal is to minimize the changes in property taxes over time for individual taxpayers. To the extent that averaging does not help with reducing volatility, retain the current policy. To the extent that averaging does help reduce volatility, seek legislative or regulatory approvals as required to implement the change.

- *Volatility Challenge* – The rapid rate of change in Calgary’s cyclical economy results in a high level of volatility for non-residential property assessments and taxes over a limited number of accounts (14,216 for the 2020 tax year). High volatility over a small base contributes to the high

level of activity in the complaints process for non-residential accounts. Explore the extent to which reforms using smoothed assessments rather than annual assessment would be beneficial for the policy on yearly tax changes.

- *Compile Evidence* – Gather evidence on assessment smoothing impacts relative to counterfactual two-year, three-year, and four-year rolling averages of annual assessments. The analysis should emphasize data for the 2015 to 2019 period. The analysis should consider a variety of averaging methods beyond the arithmetic mean.
- *Generate Options* – Assess the ability of the two-year, three-year, and four-year rolling average options to minimize assessment fluctuations and, by extension, limit tax volatility.
- *Taxpayer Support* – Explore taxpayer support for changes by starting with the extent to which it provides certainty. Then, extend to tolerance to sustain the practice not just when property assessment values are increasing, but also when they are decreasing.
- *Political Support* – Deliver the results of the analysis to Council with recommendations for the period average to apply for smoothing property assessments over the long-term if averaging makes sense.
- *Legislative Change* – If averaging is beneficial for reducing volatility, and the decision is to proceed, seek legislative or regulatory approvals. Use the evidence gathered to inform a business case alongside Council recommendations for provincial government consideration.
- *Policy Review* – Should the policy review get through the legislative change phase, complete a multi-year assessment and mill rate smoothing review for taxation policy. It should inform practices for long-term financial sustainability.
- *Phased Implementation* – If there is evidence of the ability to minimize volatility, apply a phased-in approach to implementation to manage taxpayer expectations over time. Including an assessment of impact through the transition.

Administration's response:

Agree, with investigating the issue and evaluating whether it would achieve the intended outcome to minimize individual taxpayer volatility. Administration views this as complementary to Recommendations 26 and 35. It is an area worth investigating but does need to be carefully examined to determine whether desired outcomes would be achieved and if there is a risk of unintended consequences.

Opportunities for Change:

There is an opportunity to use the evidence of the last five years to produce an evidenced-based recommendation to the Province.

Action items:

- a) Administration will scope out a potential research program along with required resources and present it to Council by the end of 2021.