



# Financial Task Force Recommendations

What we Heard Report  
2020, June 29

## Project overview

To address the challenges resulting from the Downtown Tax Shift and to support Calgary's economic recovery and financial resiliency, Council identified the need for a Financial Task Force to identify and assess innovative solutions for short term economic mitigation, long term economic recovery solutions, and revenue options to improve financial resilience for The City. A panel comprised of twelve citizen members with vast experience in policy formulation, business strategy, property valuation, and finance were selected to form the Financial Task Force following an external expression of interest.

The Financial Task Force, with support from internal experts, met regularly from September 2019 through to June 2020 to solidify their understanding of the complex issues facing The City of Calgary and identify options and recommendations. Through seventeen half-day and full-day workshops, the Financial Task Force members identified and assessed various options and recommendations to support The Corporation's financial resilience and the economic resilience of Calgary.

The Financial Task Force recommendations emerged from a highly collaborative and iterative process through which Task Force members embraced the opportunity to understand, challenge, interpret and augment information previously considered. The Financial Task Force developed thirty-five recommendations for Council consideration.

## Engagement overview

As outlined in the Terms of Reference, the Financial Task Force undertook engagement with key external stakeholders to obtain feedback. The purpose and goals of stakeholder engagement were to:

- Highlight the work and provide an overview of the recommendations
- Obtain guidance on content and implementation considerations to bolster confidence in the final recommendations
- Identify potential issues and additional areas of opportunity which may require further refinement
- Continue to build confidence and trust in The City while establishing and maintaining strong relationships with stakeholders.

After completing the draft recommendations in May 2020, the Financial Task Force considered alternative approaches to engagement. Given the short timeline through to the Council final report in June 2020 and the challenges posed by the COVID-19 pandemic, the Task Force decided to use a targeted engagement approach with key stakeholder groups.

The following key stakeholders were selected for engagement and insight by virtue of the role the groups play in city building. Members also have an interest in the recommendations and shared their perspectives as citizens of Calgary, including:

- BILD Calgary
- Building Owners and Managers Association (BOMA)
- Business Improvement Area (BIA) Executive Board
- Calgary Chamber of Commerce
- Calgary Economic Development (CED)
- City Council
- NAIOP Calgary



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Through one and a half hour meetings conducted using Microsoft Teams, members of Administration who support the Financial Task Force, along with some individual citizen Task Force members, met with 72 representatives from the stakeholder groups identified above to introduce the work of the Financial Task Force and obtain feedback on the draft recommendations.

## What we asked

During the meetings, the Task Force Chair (or designate) shared the context of the challenges facing The City, Council's direction, the members of the Task Force, and the selection process. Participants were then provided a brief overview of the draft Task Force recommendations summarized under the four pillars below for consideration and were asked to share their feedback, including questions, comments and suggestions:

- **Decision-making priorities** for municipal finances
  - Use evidence for decisions
  - Respond to Calgary's evolving economy
  - Manage transition to the new economy
  - Advocate for timely legislative change
  - Focus on long term fiscal sustainability
  - Use the guiding principles
- **Practices** that align with economic drivers of change
  - Make subclass legislation usable
  - Investigate cost recovery with the province
  - Ensure funding for new services
  - Support regional economic development
  - Balance livability and competitiveness
  - Distribute tax responsibility appropriately
  - Choose tax stability over volatility
  - Leverage untapped revenue potential
  - Identify revenue from the new economy
  - Enhance ongoing communication approach
- **Processes** that respond to stakeholder expectations
  - Assess the cumulative impact of decisions
  - Motivate Calgarians to increase TIPP program uptake
  - Maintain annual assessments to anticipate the evolving economy
  - Generate high-quality information for the tax rate decision
  - Quantify the cost and value of services and distribution of benefits
- **Policies** to support achieving fiscal sustainability
  - Affirm preference for tax stability over service stability and respond appropriately
  - Adjust tax rates for relief when needed and stabilize rates with reserve
  - Establish a long-term policy for using tax room\*
  - Investigate the crisis level vacancy in the downtown office market and respond with actions\*
  - Explore tax reform rather than using one-time measures repetitively
  - Investigate the use of multi-year property assessment averages to reduce volatility



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\*Note: Upon reflection, and considering the feedback from the engagement, the Task Force removed the recommendation to 'Establish a long-term policy for using tax room' and added a recommendation to 'Investigate the crisis level vacancy in the downtown office market and respond with actions'.

## What we heard

The engagement meetings were well attended and received positively by participants. Overall, there was a high level of interest in the Financial Task Force Recommendations, and a wide range of input was received from stakeholders.

Stakeholders said they appreciated the opportunity to be engaged and provide feedback on the considerable work the Financial Task Force undertook. Participants commented that the breadth of information that the Financial Task Force addressed was vast. The feedback generally indicated that there was no significant theme missing from consideration in the recommendations. Some participants did request more time to digest the recommendations and provide meaningful feedback after the meetings due to the breadth and complexity of the information contained in the recommendations. Others commented that it is difficult to provide comments on the concepts presented without fully understanding how they will be applied and their impacts.

All stakeholders commented that they were grateful to be engaged for their feedback and expressed an overwhelming desire to continue to be engaged at appropriate points during the implementation of the approved recommendations.

The following are the high-level themes that emerged through engagement meetings with targeted stakeholders between May 20 and June 12, 2020.

- 1. Leverage opportunities to promote the value and quality of life in Calgary:** stakeholders believe it is critical to leverage opportunities to promote Calgary globally as a competitive business, economic and financial environment to compete for investment, growth and talent.
- 2. Structure the fiscal and tax environment in a way that attracts people, investment and jobs growth to the city:** stakeholders feel that the fiscal and tax environment needs to be simple, fair, efficient and competitive for property owners and businesses to create a stable, competitive environment that contributes to a healthy economy and supports Calgary in becoming an engine for economic growth and job creation.
- 3. Align Calgary's economic strategy with the transition to the new economy:** stakeholders agree that the property tax model needs modifications to capture tax on the online sales market, which is outperforming traditional bricks and mortar.
- 4. Make sure the regulatory environment is fair, transparent, stable and predictable:** stakeholders expressed concern about adding complexity and costs into the system that will increase distrust and said that the rules need to be fair, transparent, stable and predictable.
- 5. Continue to engage and communicate with stakeholders:** stakeholders expressed appreciation for being engaged in the review of recommendations and desire to continue to be involved through the implementation of the recommendations approved by Council.



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**Key messages** received from meetings with stakeholders suggested that The City:

- **Take Action** – to be successful; all the actions need to be considered together, as they affect priorities, practices, processes and policies.
- **Move Quickly** – there are urgent actions needed today, and The City should begin to move swiftly to implement those actions.
- **Build Trust** – if approved by Council, Administration would need to prioritize the actions and identify clear accountability for execution.
- **Get Support** – to fully move municipal finances into the twenty-first century would take time and support from the provincial government.

A summary of the verbatim comments, questions and themes we heard in response to the recommendations presented under each of the four pillars is available in the [Summary of Input](#) section below. A summary of all of the questions asked and answered during the meetings is captured in the [Question & Answer](#) section.

## Summary of Input

Below is a summary of the main themes that were most prevalent in the comments received from participants in response to the high-level recommendations under each of the four pillars. These are the exact words used. For transparency, there were no alterations to the verbatim comments. In some cases, there was an organization into themes to facilitate readability.

| Decision-making priorities Municipal finances |  |
|---|--|
| <i>Recommendation</i>                         | <i>Verbatim comments</i>   |
| Use evidence for decisions                    | <ul style="list-style-type: none"> <li>• Will the recommendations be doable in terms of implementation and what would the implications of the recommendations be?</li> </ul>   |
| Respond to Calgary's evolving economy         | <ul style="list-style-type: none"> <li>• The City needs to have a concrete plan and sense of urgency to address the challenges ahead. There is absolutely no appetite from business or patience in this economic environment for further delays in addressing this. So, if you cannot speed up the process, I would suggest that you need to really need to do further work on your messaging.</li> <li>• We need to have some short-term solutions that help businesses now rather than a fact-finding exercise that is going to take 18 months to action. It is questionable whether businesses will be able to survive in this environment and we need to take-action now to help.</li> <li>• What has the Financial Task Force recommended to do in terms of addressing the assessment and taxation system given the COVID-19 situation and number of businesses that are unfortunately going to fail....as this will not be addressed by next year?</li> <li>• Tax shift – 18 months is too long. What can be actioned now? We need an interim solution. Tax policy takes time to create and there is a real concern whether businesses can continue to operate today.</li> </ul> |



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| Decision-making priorities Municipal finances |   |
|---|---|
| <i>Recommendation</i>                         | <i>Verbatim comments</i>  |
| Manage transition to new economy              | <ul style="list-style-type: none"> <li>We also need to be flexible in how we discuss the new economy and where businesses locate in the region – a job is a job right now.</li> <li>What about prioritizing the recommendations? Are some short-term priorities and others longer-term priorities - are you planning to identify those?</li> <li>How are we going to promote job growth and migration while focusing on business growth?</li> <li>How are we aligning our economic strategy with the transition to the new economy?</li> <li>How would you tie this strategy to economic diversification and how can you leverage these strategies and thoughts to diversify the local economy?</li> </ul>  |
| Advocate for timely legislative change        | <ul style="list-style-type: none"> <li>We encourage you to really look at what tools The City already has that it could execute quickly that do not require further legislative requirements.</li> <li>Have you looked at what can be done in terms of legislation in the City Charter, what can be done within the existing system, and what would require further legislative change?</li> <li>When will the recommendations go forward to the province and what strategies will The City use to engage the province in a meaningful way?</li> <li>Have you already had discussions with the City of Edmonton and smaller municipalities to get them onside?</li> <li>How are you going to work better with the province?</li> <li>With regards to the content that requires negotiation with the Provincial Government, has there been engagement with the AUMA or with the Government of Alberta already?</li> </ul>  |
| Focus on long term fiscal sustainability      | <ul style="list-style-type: none"> <li>General comment that they didn't hear enough about spending and further cost cutting measures. An examination of everything from top to bottom is required.</li> <li>My opinion is that the focus of the presentation was on new revenue sources rather than prioritizing the overall cost and need to reduce the cost of government. My recommendation is to reprioritize these thoughts and prioritize the need for cost reduction before new revenue – particularly due to the uncertainty we are experiencing right now. It goes back to our ability to compete in attracting businesses and growth. We need to embrace all comers – i.e. a job is a job.</li> <li>We continue to urge the City to continue to further practice spending discipline, and not to sacrifice efficiency in favour of unnecessary analysis, there must be a balance.</li> <li>Council needs to be more diligent in reducing spending and that is a common notion right now.</li> </ul> |



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| Decision-making priorities Municipal finances |   |
|---|---|
| Recommendation                                | Verbatim comments   |
|   | <ul style="list-style-type: none"> <li>• One thing I did not hear enough about is cutting spending. Typically, when people hit hard times you need to go back to zero based budgeting.</li> <li>• I believe The City needs to do more to reduce costs before moving forward with some of these recommendations.</li> <li>• The City needs to continue to focus on cost reduction and ensuring it is delivering services in the most efficient and effective way possible.</li> <li>• Property taxes will hurt in terms of buying and selling houses, but we need to look out 10 – 15 years, not 1-2 years.</li> </ul> |
| Use guiding principles                        | <ul style="list-style-type: none"> <li>• There was a reference to evaluating global tax models - industry would like some guidance what those may be, direction on what you may consider and what you would not consider.</li> </ul>  |

| Practices that align with economic drivers of change |   |
|--|---|
| Recommendation                                       | Verbatim comments   |
| Make subclass legislation usable                     | <ul style="list-style-type: none"> <li>• Be careful not to make things too complex because that creates public distrust.</li> <li>• With regards to tax subclasses, I have a lot of apprehension about supporting this without understanding the detailed numbers. It sounds like a way to transfer more taxes from small business and restaurants to larger businesses and non-residential properties. The devil will be in the detail on this. We have a series of inequities that are inherent in the system and need to be addressed.</li> <li>• There are pros and cons to subclasses:             <ul style="list-style-type: none"> <li>○ There is a concern that subclasses will make the system more complex, costly and that it will foster targeting especially when you look at what is happening in Ontario and BC.</li> <li>○ Another concern is that it will move away from market value which is generally representative of your ability to pay – i.e. Office, industrial and retail sectors.</li> </ul> </li> <li>• Feedback on sub classifications – this has been used effectively in some jurisdictions, but it has caused a lot of other issues in other jurisdictions.</li> <li>• The Province made a number of changes to the MGA to provide more room for cities to change classes, but until a model is presented which is workable – transfer of commercial tax responsibility to large taxpayers as a way to alleviate the problem is not the solution. For example, an 18% increase for large commercial taxpayers is a massive new way for folks to make money as they structure their businesses to look like they are small business, even if they aren't. The devil is always in the details.</li> </ul> |



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|--|---|
| Recommendation                                       | Verbatim comments   |
|  | <ul style="list-style-type: none"> <li>We appreciate that the creation of subclasses is an attractive approach that is currently permitted through the <i>Municipal Government Act</i>. However, we remain strongly opposed to the introduction of subclasses for Calgary. We take this position because we believe that it has been long established that market value is the best way to ensure equity within the tax base.</li> <li>Creation of subclasses dramatically increases the opportunity for political interference as an unrestricted number of subclasses and mill rates can be created to reflect the politics of the day. This directly contradicts the first decision-making priority for municipal finances presented to our group: Use evidence for decisions. Subclasses add another layer of complexity to an already complex tax system that many of our members must navigate. We believe that creating more subclasses will lead to more long-term costs for our members and their tenants and could have serious implications on our competitiveness. Succinctly, the fewer the number of subclasses the more chance of objectivity and predictability.</li> <li>Rule changes in MGA – what constitutes a commercial business? Sites can be partially zoned to residential, but a full commercial mill rate is applied on the whole site. In the equity-based assessment system, they can use a residential based sale comparable to assess our commercial useable land at a higher rate and then bang you with a commercial mill rate after that – serious inequity in the system.</li> </ul> |
| Investigate cost recovery with the province          | <ul style="list-style-type: none"> <li>Could you speak about provincial downloading and whether you are looking at Affordable Housing in the downloading of tasks?</li> </ul>   |
| Ensure funding for new services                      | <ul style="list-style-type: none"> <li>No comments received</li> </ul>  |
| Support regional economic development                | <ul style="list-style-type: none"> <li>Calgary in the region – how receptive do you think other regional municipalities will be open to working together and collaborating?</li> </ul>  |
| Balance livability and competitiveness               | <ul style="list-style-type: none"> <li>General concern about City of Calgary property tax rates as they compare to our Region. There is a \$1.20/sq.ft. variance and until this is wrestled, we will continue to see large industrial users land in Rocky View Country and similar jurisdictions. All agree that a win for our region is still a win for the city, but this does not help us on the tax revenue side of the equation.</li> <li>A lot of our members do business not just in Calgary and other municipalities in Canada and the U.S. It is critical for Calgary to be competitive with other cities to attract investment, growth and talent. We are entering a phase of global economic competitiveness, that we have never seen before. It is critical to be competitive with other cities, not only in Canada but also with other countries (e.g. U.S. – and our sister city, Denver).</li> <li>Calgary needs to be competitive on a global scale. This is a significant concern right now – and the competitiveness of the tax structure is key to attract that growth and compete for investment.</li> </ul>  |



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| Practices that align with economic drivers of change  |  |
|---|--|
| Recommendation  | Verbatim comments  |
|   | <ul style="list-style-type: none"> <li>Attracting talent: Top priority in our City right now if we want to be competitive. If we focus on tax that is regressive and tax rates that hurt business that won't allow us to attract talent.</li> <li>When we compare ourselves to other cities through benchmarking, are we looking at comparing property taxes, user fees and utility charges?</li> <li>Regarding the section under practices that align with economic drivers – comparison with other municipalities and regions - was there any discussion about comparing with other international municipalities?</li> <li>I think we need to take this back to what are we trying to achieve with this - our key thing is to try to be competitive and attract and retain top talent. We cannot continue to hurt businesses while attracting and retaining top talent.</li> </ul>   |
| <p>Distribute tax responsibility appropriately*</p> <p><i>*Note: upon reflection, the Financial Task Force merged content on the tax split with pegging the mill rate and stabilize rates with reserves" which was previously a separate recommendation</i></p> | <ul style="list-style-type: none"> <li>Research: It was suggested that The City should conduct research on sensitivity between tax impact and business (as the life blood of the city). The City may wish to benchmark itself against other cities that have been in financial trouble in terms of residential and commercial tax ratios. What is the basis for dollars into the residential tax base versus dollars into the commercial tax base? The City may want to consider researching companies post COVID-19 and the level of migration of businesses in and out of downtown and around The City.</li> <li>Property taxes and the distribution between residential and non-residential is troubling because it should not be greater than 1:2. We have now heard that that many companies will not be going back to their downtown spaces so we need to look at other options.</li> <li>53-47, 52-48, perception is that no-one (Council, nor tax assessment, nor industry) understand the rationale behind these ratios yet we are building a policy around it. For the mill-rate, 4.3 going closer to 2 – those aren't the levers being pulled – these are artificial ratios. Need to increase the equity in the tax system and explain/communicate the rationale.</li> <li>When work was done by NAIOP and BOMA about the ratios for distributing taxes nobody could provide the rationale for why we have the splits that we do. We need to document the rationale for the property tax ratios so that everyone has a common understanding.</li> </ul> |
| Choose tax stability over volatility  | <ul style="list-style-type: none"> <li>How much of this is actually real? When you think about starting with the maximum revenue and then setting service levels appropriately – Does Calgary do this? Would this provide a real roadmap for Council to base decisions on?</li> </ul>  |
| Leverage untapped revenue potential   | <ul style="list-style-type: none"> <li>We support a system wide review of non-core and underperforming assets that are currently owned by the City of Calgary. We believe that shifting properties and assets that are currently owned by the City but not generating revenues, specifically industrial properties, to the private sector will not only create immediate revenues for the City in the short term but also increase the tax base in the long term. Expanding the tax base would also disperse</li> </ul>  |



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## Practices that align with economic drivers of change

| Recommendation                         | Verbatim comments  |
|--|--|
|  | <p>the risk of volatility across more properties and increase the overall revenue that is collected through property taxes.</p> <ul style="list-style-type: none"> <li>• We have heard that many companies will not be going back to their downtown spaces, so we need to look at other options available for revenue.</li> <li>• ‘Additional revenue sources’ – is somewhat scary when positioned broadly, but if the idea is to move to more of a user fee model then it is hard to argue with.</li> <li>• The two main groups of revenue tools that municipalities have is property taxes and user fees - but we feel that The City is not necessarily using user fee levies to the extent that it could.</li> <li>• Question about whether The City is going to or should begin to start selling industrial land.</li> <li>• Can you speak further on proprietary charges, regulatory charges, property taxes and user fees?</li> <li>• On regulatory charges, proprietary charges, and user fees that impact other organizations like ENMAX and the Calgary Parking Authority, will you be making recommendations that will impact those other organizations as well?</li> <li>• When you provide the final report to Council will you be detailing each of those categories – i.e. proprietary charges, regulatory charges, property taxes and user fees?</li> </ul> |
| Identify revenue from new economy      | <ul style="list-style-type: none"> <li>• I agree that there needs to be a way to capture revenue from e-commerce.</li> <li>• E-commerce is eating the lunch of retail and we are behind the times in terms of keeping pace with that.</li> <li>• E-commerce is eating the lunch of retail! The property tax model needs modifications to capture tax on the online sales market which is outperforming traditional bricks and mortar who continue to be taxed. The U.S. is taxing them, we are lagging.</li> <li>• With regards to powers to address additional revenue sources, it sounds like the additional revenue sources would be levied on businesses. How will this fit with the need to address overall competitiveness to attract business growth in Calgary?</li> <li>• I thought that you would be presenting innovative ideas about new revenues, but it sounds like you are just tinkering around the edges – is that correct?</li> </ul>  |
| Enhance ongoing communication approach | <ul style="list-style-type: none"> <li>• Concern expressed that if you start layering all recommendations in then it will cause confusion and distrust. Communication around taxes has improved over the last few years and it is important to continue to be able to clearly explain what is happening and be able to clearly communicate that to the public.</li> </ul>  |



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## Practices that align with economic drivers of change

| <i>Recommendation</i> | <i>Verbatim comments</i>  |
|-----------------------|---|
|                       | <ul style="list-style-type: none"> <li>• We would need further engagement on the detailed recommendations before we could endorse the recommendations.</li> <li>• The value of this group is that we can bring strategy once we know what the implications of these recommendations are going to be. We need harder numbers and greater context before we can add value.</li> <li>• The presentation was thorough, and industry understands stabilization and focus on the new economy. However, without knowing the initial outputs, and the weighting relative to each output, they are hard pressed to give immediate feedback to The City. If the inputs are leading The City to higher taxes in residential or vice versa then that gives industry an output and an understanding of direct impacts to them. How do changes play out in terms of financing and investors ability to fund some of those costs? How does it play out politically? Does it come close to meeting expectations for the City? With an increased understanding they are better positioned to respond accordingly. If the City needs to do additional research, then you may wish to reconvene this group when you can speak to where the research is leading you rather than philosophy. We are “numbers people.”</li> <li>• Recommend that there be ongoing engagement through the process of implementing the recommendations.</li> <li>• Have you had a discussion internally as to whether it would make more sense for industry groups to have the conversation with the province in terms of supports for businesses and citizens?</li> <li>• A lot of business owners pay property tax through their lease agreements, but they don’t understand how those work, is there something that you can share on that?</li> <li>• I need a lot more information before I can make any sort of intelligent comments about this. How can this be best achieved? I request an advance package to be sent and a follow-up feedback loop be proposed so I can get my questions answered.</li> <li>• When the recommendations go to Council, will this be a public hearing?</li> </ul> |

## Processes that respond to stakeholder expectations

| <i>Recommendation</i>                     | <i>Verbatim comments</i>  |
|---|---|
| Assess the cumulative impact of decisions | <ul style="list-style-type: none"> <li>• I think the report misses the mark in terms of rebates and tax mitigation programs based on which properties have received the greatest changes in assessment value. Reserve funds were used, criteria were set, yet small businesses continued to suffer, and bankruptcies did not lessen. It was suggested that The City should conduct research on sensitivity between tax impact and business (as the life blood of the city). Restaurants and the arts communities need direct relief.</li> </ul> |



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## Processes that respond to stakeholder expectations

| <i>Recommendation</i>  | <i>Verbatim comments</i>   |
|--|--|
| Motivate Calgarians to increase TIPP program uptake                  | <ul style="list-style-type: none"> <li>No comments received.</li> </ul>  |
| Maintain annual assessments to anticipate the evolving economy       | <ul style="list-style-type: none"> <li>What discussion did the Financial Task Force have around the market value assessment?</li> <li>How do you address the seeming contradiction between maintaining annual market value assessments and creating predictability? We know that volatility creates drastic swings over time so there appears to be a contradiction in wanting to maintain annual market value assessments?</li> <li>How will the assessment process keep up with the property tax issue over the long haul? How are you going to systemically address this issue?</li> </ul>                                      |
| Generate high quality information for the tax rate decision          | <ul style="list-style-type: none"> <li>The current budget process is backward in that it sets service levels first and then determines how much tax revenue is required to achieve those levels – did I hear you say that you are looking at changing that process to address the right level of taxation first and then set your service delivery accordingly to make it right?</li> <li>One of the major challenges is that there can be a tendency to want assessment valuation information before the assessment valuation information is available. This could be tricky in terms of setting indicative tax rates.</li> </ul> |
| Quantify the cost and value of services and distribution of benefits | <ul style="list-style-type: none"> <li>We need to look at the value and costs of the services we are providing if we are going to cut costs and maintain attractive and competitive tax rates. The whole property tax side of things is regressive, and we do need to look at more of a usage-based system but, first and foremost, we need to be much more efficient in delivering services.</li> </ul>   |

## Policies to support achieving fiscal sustainability

| <i>Recommendation</i>  | <i>Verbatim comments</i>   |
|--|--|
| Affirm preference for tax stability over service stability and respond appropriately | <ul style="list-style-type: none"> <li>I feel like the following is controversial - A firm preference for tax stability over service stability and respond accordingly – I would like to see you unpack this a bit more. These do not operate along the same timelines.</li> <li>On contracting out services 'where it makes sense' - you need to get more assertive with this language.</li> <li>What do you mean by tax stability versus service stability, is this about budget?</li> <li>How is the Financial Task Force planning to address the issue of what is an essential service versus what is nice to have?</li> </ul> |
| Adjust tax rates for relief when needed and stabilize rates with reserve             | <ul style="list-style-type: none"> <li>Job growth is incredibly important, and we need to look at the ability to support existing businesses while also attracting new businesses and jobs.</li> </ul>   |



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## Policies to support achieving fiscal sustainability

| Recommendation   | Verbatim comments  |
|--|--|
|  | <p>We should look at using the rainy-day fund to support existing businesses in this environment – as it is pouring out right now.</p>   |
| <p>Establish a long-term policy for using tax room</p> <p><i>*Note: upon further reflection, this recommendation was removed by the Financial Task Force.</i></p>  | <ul style="list-style-type: none"> <li>• It is not sound policy for The City to step in to vacated tax room that may become available – it is slightly offensive to think that when one level of government vacates tax room the other level of government will automatically step into it.</li> <li>• Tax Room - there should not be a standing assumption that when one level of government (provincial) reduces taxes that another level of government (municipal) takes it. The Province is in bad shape too, so not sure this is sound policy under the name of volatility.</li> <li>• I have a lot of trouble with the concept of The City moving in to vacated tax room. I am not in favour of this.</li> </ul>   |
| <p>Investigate the reasons for the crisis level vacancy rate in the downtown office market and respond with actions</p> <p><i>*Note: upon further reflection, this recommendation was added by the Financial Task Force.</i></p> | <ul style="list-style-type: none"> <li>• Focus on Texas and the impact of the last oil crash there. Three pillars that Texas used resulted in strong success: <ul style="list-style-type: none"> <li>○ Promote Texas to anyone and everyone – to attract a wide array of businesses. We have a great value proposition for you.</li> <li>○ Competitiveness – focus on tax incentives tied to job creation. (This may not be in the scope of the FTF). We need to sharpen our pencils to promote our competitiveness.</li> <li>○ Regulatory environment – real or perceived, has a big impact on the ability to attract investment and growth.</li> <li>○ Look at measures from the World Bank for benchmarking, competitiveness and growth.</li> </ul> </li> </ul>   |
| <p>Explore tax reform rather than using one-time measures repetitively</p>   | <ul style="list-style-type: none"> <li>• Could you expand more upon what you mean when you talk about exploring long term tax reform rather than using blunt tools like the phased tax program and rebates?</li> </ul>   |
| <p>Investigate the use of multi-year property assessment averages to reduce volatility</p>   | <ul style="list-style-type: none"> <li>• We believe most of our members would be open to the introduction of multi-year property tax averages to reduce volatility. Multi-year tax averaging is less vulnerable to manipulation and compensates for fluctuations in the market over the medium to long term. While this may create challenges with provincial legislation, this approach would create stability and adjust the volatility that we have been experiencing over the last few years. It would also add certainty to budgeting for our members and the City. Basing taxes on the averaged values of prior years would reduce estimates used by our members and increase certainty in budgeting processes. While we acknowledge that this does not eliminate the possibility of unpredicted year over year changes, this would still allow us to budget for property taxes with more confidence.</li> <li>• The City had a tax commission 20-30 years ago that studied annual market assessments versus 2 to 3 year averaging and concluded that the annual market value notion is the gold standard for assessment. It provides a six-month window of time to get ready for the economic hit. Concerns that the 2</li> </ul> |



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| Policies to support achieving fiscal sustainability |   |
|---|---|
| Recommendation                                      | Verbatim comments   |
|   | <p>to 3 year averaging already contains inherent averaging and therefore this concept is not supported.</p> <ul style="list-style-type: none"> <li>On investigating the notion of using multi-year averaging of property assessment values to reduce volatility – I don't believe this will achieve what you are looking to achieve here. For example, one of the greatest concerns of hotels is that freezing the assessment value fails to address the decline they are experiencing in revenue. The concept of creating stability by freezing assessment value will not do anything to reduce volatility.</li> <li>I disagree that the market valuation represents the ability to pay - if the goal is to reduce volatility, then I would recommend going to averaging rather than subclasses. The challenge is to find ways to reduce volatility while also maintaining fairness.</li> <li>Multi-year averaging increases consistency and predictability in the City's budgeting process. Establishing multi-year averaging allows the City to be less dependent on the results of appeals to establish revenue that is to be received, further reducing volatility.</li> <li>Our preference would be that the City does not create subclasses but strongly considers introducing multi-year averaging. Alternatively, and as a step-down, we could also support not introducing subclasses or multi-year tax averaging at this point but remain open to introducing multi-year averaging in the future.</li> </ul> |

## Conclusion

The feedback collected from stakeholders on the draft Financial Task Force recommendations did provide an abundance of meaningful input. The Task Force reviewed them before finalizing the recommendations for Council's consideration. It will also help:

- set focus areas to be discussed and analyzed in future phases
- improve understanding of stakeholder concerns and priorities for ongoing engagement
- identify project details and materials to share during implementation.

Members of the Financial Task Force and Administration were pleased with the number of people who attended the stakeholder engagement meetings and found it beneficial to receive the diverse perspectives of key stakeholders during the discussions. The meetings provided valued input that helped the Financial Task Force finalize the recommendations for presentation to Council. The feedback will also support the implementation of the recommendations approved by Council.

## Next Steps

Following Council approval of the Financial Task Force recommendations, communications will be distributed to the stakeholders to make them aware of Council's decision, the path forward, and where they can find further information and updates about the implementation of shorter term recommendations on



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[Calgary.ca/FinancialTaskForce](https://calgary.ca/FinancialTaskForce). We will also make them aware that some of the longer term recommendations have been handed off to the Economic Resilience Task Force for implementation and they can follow [Calgary.ca/EconomicResilienceTaskForce](https://calgary.ca/EconomicResilienceTaskForce) for further updates.

## Appendix: Questions & Answers

The tables include all the questions that participants asked during the engagement meetings, along with the answers provided.

| Decision-making priorities Municipal finances   |   |
|---|---|
| Question  | Answer  |
| Will the recommendations be doable in terms of implementation and what would the implications of the recommendations be?                                      | When we bring forward the recommendations, we will include an attachment that will outline Administration's response and include the implications of the recommendations along with the next steps.   |
| I didn't see any prioritization of your recommendations and whether you have some short term and longer-term priorities - are you planning to identify those? | Yes, there are definitely recommendations that are achievable in the short term that do not require any additional responsibilities, and there are longer term recommendations that will require further work (process work and legislative change) before they can be developed for implementation.  |
| How are we going to promote job growth and migration while focusing on business growth?   | We do not have an explicit recommendation around growth, it is embedded in the strategy about Calgary in the New Economy for further development by the Economic Resilience Task Force. Still, we can go back to the group and confirm if we should further develop a recommendation about this.  |
| How are we aligning our economic strategy with the transition to the new economy?   | Calgary in the new economy is the community-owned strategy. As we move towards the next iteration using the Economic Resilience Task Force, that is something that they really want to sink their teeth into and explore. But as we move forward, we need to leverage that strategy.  |
| How would you tie this strategy to economic diversification and how can you leverage these strategies and thoughts to diversify the local economy?            | The mandate of the Financial Task Force came at a time when we were experiencing an economic downturn, low oil and gas prices, and high vacancies in the downtown core which led to the tax shift. Now, with the added complexity of COVID-19, the complexity has been multiplied. So, you are correct, there is not a direct link to economic diversification – that is more in the purview of the newly established Economic Resilience Task Force. |
| Have you looked at what can be done in terms of legislation in the City Charter, what can be done   | Yes, The City's law department has been participating in the Financial Task Force meetings and we have been looking at what legislative changes are required with an  |



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| Decision-making priorities Municipal finances  |  |
|--|--|
| Question   | Answer   |
| within the existing system, and what would require further legislative change?   | immediate focus on what we can do without any change in legislation.   |
| When will the recommendations go forward to the province and what strategies will The City use to engage the province in a meaningful way?   | The Financial Task Force recommendations will be accompanied by a report from Administration that will identify Administration's Response to the recommendations. So once the Financial Task Force recommendations have been finalized, we will consolidate all of the recommendations along with the feedback we received and then develop a proposed strategy on how to move forward the recommendations including engagement with the province. |
| Have you already had discussions with the City of Edmonton and smaller municipalities to get them onside?  | No, not at this point as the Financial Task Force recommendations have not been finalized.   |
| How are you going to work better with the province?  | One thing that the Financial Task Force recognizes and has recommended is the need to work closely with the Province if we are going to be successful in obtaining proper support to implement the recommendations and make the necessary changes to the MGA.  |
| With regards to the content that requires negotiation with the Provincial Government, has there been engagement with the AUMA or with the Government of Alberta already?   | Most of the information that requires negotiation with the Province has already been discussed with the Province of Alberta in various communications, but not brought together in the same package.   |
| What has the Financial Task Force recommended to do in terms of addressing the assessment and taxation system given the COVID-19 situation and number of businesses that are unfortunately going to fail...as this will not be addressed by next year? | The Financial Task Force has recognized that due to the heavy reliance on bricks and mortar, we need to look at other revenue tools and broadening the taxation system in light of the new economy and heavy upsurge in ecommerce.   |

| Practices that align with economic drivers of change  |  |
|---|--|
| Question  | Answer   |
| Could you speak about provincial downloading and whether you are looking at Affordable Housing in the downloading of tasks? | Yes, we would need to identify services directed to us from the province and use the results to inform a business case for the province to provide the fiscal tools that would allow effective delivery of those services. |



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| Practices that align with economic drivers of change  |   |
|---|---|
| Calgary in the region – how receptive do you think other regional municipalities will be open to working together and collaborating?  | If we do not include this, it will leave a large hole in the recommendations. We have proposed this before, and we need to put our best recommendations forward. We are going to really push for regional collaboration to achieve economic sustainability of the region as a whole.  |
| When we compare ourselves to other cities through benchmarking, are we looking at comparing property taxes, user fees and utility charges?  | We do benchmark property taxes and utility fees against other Canadian cities and regional municipalities. But the user fees and subsidization rates are different between cities, so it makes it more difficult to compare to make an apples-to-apples comparison. We do, however, look at affordability and benefits.   |
| Regarding the section under practices that align with economic drivers – comparison with other municipalities and regions - was there any discussion about comparing with other international municipalities?                       | We focused on comparing municipalities in Alberta and Canada due to the greater likelihood of comparing apples to apples in terms of jurisdictional responsibilities.<br><br>For example, even when we compare ourselves to municipalities in Ontario, they have responsibility for providing daycares, where we do not. That said, we could look at other international cities and when considering what kind of city we aspire to be. |
| How much of this is actually real? When you think about starting with the maximum revenue and then setting service levels appropriately – Does Calgary do this? Would this provide a real roadmap for Council to base decisions on? | The Financial Task Force has really focused their thoughts on building in stability in the tax levels to address the tax shift.   |
| Can you speak further on proprietary charges, regulatory charges, property taxes and user fees?   | We will be doing a review of our user fee policy later in the year to take a closer look at how we quantify user fees in terms of the full costs to deliver services vis-à-vis the societal benefits of the services.   |
| Re regulatory charges, proprietary charges, and user fees that impact other organizations like ENMAX and the Calgary Parking Authority, will you be making recommendations that will impact those other organizations as well?      | You make a good point, of the 4 groupings of recommendations, some are close to final while others are still being worked on.<br><br>With regard to revenue items that are not completely under The City's purview and impact partners such as ENMAX and CPA, the recommendations are to take a strategic review of these items as well as provide members of the public the opportunity to weigh in on the recommendations.            |
| When you provide the final report to Council will you be detailing each of those categories – i.e. proprietary charges, regulatory charges, property taxes and user fees?   | Yes, there would be a full listing of new revenue tools, some of which will be handed off to the Economic Resilience Task Force.  |



# Financial Task Force Recommendations

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## Practices that align with economic drivers of change

|   |  |
|---|--|
| <p>With regards to powers to address additional revenue sources, it sounds like the additional revenue sources would be levied on businesses. How will this fit with the need to address overall competitiveness to attract business growth in Calgary?</p> | <p>The focus of this recommendation is on the need to decrease volatility while incenting the behaviours and actions that we want to incent. The idea is to leverage user fees to achieve the overall type of city that we want. It would help inform how to deliver the services most efficiently and cost-effectively.</p> |
| <p>I thought that you would be presenting innovative ideas about new revenues, but it sounds like you are just tinkering around the edges – is that correct?</p>  | <p>There was certainly a lot of discussion at the Financial Task Force about innovative ways to generate revenue in the new economy and there are a number of recommendations around that (e.g. Uber).</p>   |
| <p>Have you had a discussion internally as to whether it would make more sense for industry groups to have the conversation with the province in terms of supports for businesses and citizens?</p>   | <p>The recommendations are still draft. We will consider this after the Financial Task Force recommendations are finalized.</p>  |
| <p>A lot of business owners pay property tax through their lease agreements, but they don't understand how those work, is there something that you can share on that?</p>   | <p>Businesses that contribute to non-residential property taxes through their lease agreements do not receive a property tax bill so they may not understand what they are paying for – so we will need to take that back and do some further work on that.</p>  |
| <p>When the recommendations go to Council, will this be a public hearing?</p>   | <p>No, we are taking the Final Task Force Recommendations to the June 29 Strategic Meeting of Council which is not a public hearing.</p>   |

## Processes that respond to stakeholder expectations

| Question   | Answer   |
|--|--|
| <p>What discussion did the Financial Task Force have around the market value assessment?</p> | <p>There was a lot of discussion on the market value assessment particularly with respect to the legislation, market value assessments and other mechanisms (such as rolling averages or subclasses) that may have the ability to add to enhance or smooth the volatility in annual market value assessments.</p> <p>There was also a lot of discussion about the 6 different alternatives and looking at what other jurisdictions do. It was determined that there are pro's and cons to each model, but they all contain challenges. This is why we looked at the other revenue tools and mechanisms that we could use to make the current market value system work better by smoothing assessment volatility over time.</p> |



## Financial Task Force Recommendations

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| Processes that respond to stakeholder expectations  |  |
|---|--|
| Question  | Answer   |
| How do you address the seeming contradiction between maintaining annual market value assessments and creating predictability? We know that volatility creates drastic swings over time so there appears to be a contradiction in wanting to maintain annual market value assessments.   | The Financial Task Force has suggested that we do further investigation into various ways to address smoothing – this is why we are proposing to look at other revenue tools in addition to mechanisms that would increase predictability. |
| How will the assessment process keep up with the property tax issue over the long haul? How are you going to systemically address this issue?   | That is a very good question. These would be included in the next steps of the Task Force actions. One of the things we need to do next talks about us completing further research and analysis by Q2 2021.                                |
| The current budget process is backward in that it sets service levels first and then determines how much tax revenue is required to achieve those levels – did I hear you say that you are looking at changing that process to address the right level of taxation first and then set your service delivery accordingly to make it right? | Yes, that is correct, but this will require a lot of thoughtful considerations, process changes and legislative changes.   |

| Policies to support achieving fiscal sustainability  |   |
|--|---|
| Question   | Answer  |
| What do you mean by tax stability versus service stability, is this about budget?  | Yes.  |
| How is the Financial Task Force planning to address the issue of what is an essential service versus what is nice to have?   | That is something that the Financial Task Force will ask Council to weigh in on, but the Task Force felt that it was outside of their mandate and the limited time available.   |
| Could you expand more upon what you mean when you talk about exploring long term tax reform rather than using blunt tools like the phased tax program and rebates? | First, would be to look at the services and service levels that we offer. Second, would be to look at whether we are fully utilizing other revenue opportunities like user fees.<br><br>Third, would be to take a more comprehensive look at underlying factors and potential revenue opportunities while avoiding the use of one-time tax mitigation measures. As an example, we could look at changing the distribution of taxes. |
| Would you be willing to look at equity in kind (e.g. assets, debt) instead of or in lieu of taxes?   | We would have to take this back and look into it.   |



# Financial Task Force Recommendations

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## Policies to support achieving fiscal sustainability

| Question  | Answer   |
|---|--|
| <p>Noting that “cash is king” for businesses, would The City consider taking payment-in-kind? Industry advised they see four “buckets” of non-cash consideration that the City could consider as “payment in kind” to help preserve cash balances:</p> <ul style="list-style-type: none"> <li>• <b>Services</b> - The provision of services that The City would otherwise need to pay to provide (e.g., cleaning, collection, delivery, human resources) OR pay to receive from third parties (e.g., consulting, construction). If accounted for at The City’s typical cost based on some rolling historical average or market rates, it’s effectively a wash (i.e. cash may not be taken in but neither is it flowing out)</li> <li>• <b>Goods</b> - Same concept as services, but for the provision of physical goods (e.g., food, PPE, furniture, signage, etc.) Another way to approach this would be for the City to secure those goods at all-in-cost vs market rates (depresses profit margins but (i) could cover fixed charges like rent and (ii) keeps more people employed)</li> <li>• <b>Equity</b> - Tremendously difficult to agree on the value of businesses let alone properties in this market, but conceptually the Government could take a preferred equity stake with priority dividend payments and claim on residual equity value should those businesses ultimately get restructured (could have the dividends accrue to the principal for a period of time as well to defer cash outlays)</li> <li>• <b>Debt</b> - I was thinking of this as the taxes due become a form of callable PIK (payment-in-kind) debt – so the principal accrues with interest as cash payments are deferred, but that debt can be callable at any time by the tenant without penalty and is pari passu with any existing debt given the higher claim taxes would naturally have.</li> </ul> <p>The upshot to all of these would likely be that other stakeholders would benefit as well given the security of cash flow they provide.</p> | <p>We would have to take this back and look into it.</p> |