

Chief Financial Officer's Report to
Combined Meeting of Council
2020 July 27

ISC: UNRESTRICTED
C2020-0815

Financial Task Force Recommendations – Implementation Approach and Resources

EXECUTIVE SUMMARY

Council directed work, through a Financial Task Force, on solutions to address the challenges of the current municipal property assessment and tax system as demonstrated by the Downtown Tax Shift and in the context of Calgary's highly cyclical economy. After nine months of work, the Task Force delivered to Council thirty-five recommendations for short-term economic mitigation, long-term economic recovery, and revenue options to improve The City's financial resilience on 2020 June 29.

Administration scoped the work required to execute and determined that all recommendations would require a combination of:

1. Existing resources with expanded work programs,
2. Existing resources that prioritize action items and drop lower priority work, and
3. New resources specifically for independent third-party work or necessary for action items.

About one-half of the recommendations (17) leverage existing resources, while the other half (18 recommendations) require new resources and existing resources across City departments.

ADMINISTRATION RECOMMENDATION:

That Council:

1. Direct Administration to implement the 17 Financial Task Force recommendations that only require existing resources (expanded work programs or re-directed to prioritize the action items).
2. Direct Administration to implement the 18 Financial Task Force recommendations identified in Attachment 4 that require new one-time resources using the 2020 investment income attributable to the Fiscal Stability Reserve as the funding source for one-time funding components.
3. Approve up to \$4 million in one-time funding across City departments for 2020 and 2021 to be funded from the Fiscal Stability Reserve.
4. Direct Administration includes a request for the base funding required for implementation in 2021 and beyond in the Mid-Cycle Adjustment report to Council in November 2020.

PREVIOUS COUNCIL DIRECTION / POLICY

A summary of Council direction to establish and outline the scope of work for the Financial Task Force is available as Attachment 1. On 2020 June 29, Council accepted the Financial Task Force recommendations outlined in C2020-0742. Attachment 2 outlines all thirty-five recommendations.

BACKGROUND

Fiscal sustainability is a crucial financial policy goal. Several City policies outline requirements for municipal revenue and spending decisions to ensure that Calgarians receive vital municipal services such as clean drinking water for the sustenance of life, a transportation network and public transit for the movement of goods and people, and emergency services like fire to protect lives and livelihoods. The policies also consider Calgary's attractiveness as cities worldwide compete for capital, talent and jobs, which are ingredients for sustained economic progress. Over the last decade, policy and one-time measures to achieve the desired competitive taxation aim include Business Tax Consolidation (2013 to 2019) and Phased Tax Programs (2017 to 2020).

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In 2018, Council directed Administration to set up a Financial Task Force using a collaborative model with citizen and private sector expertise for enhanced policy measures because the existing set did not adequately address the 2015 to 2019 Downtown Tax Shift. The Task Force worked from 2019 September to 2020 June to develop recommendations that bolster long-term fiscal sustainability. They identified additional measures targeting the following success 'factors':

- Improving the understanding of municipal finance circumstances
- Bringing property taxation into the twenty-first century
- Improving tax efficiency for long-term fiscal sustainability
- Responding to Calgary's cyclical economy using existing tools
- Preparing for changes that would occur as the economy evolves
- Making Calgary more competitive, livable and attractive
- Supporting regional economic development
- Working better with partners in achieving progress

On 2020 June 29, Council directed Administration to scope the costs of implementation and report to Council with a request for approval of resources, where appropriate, by 2020 July 29.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

To execute with the most significant impact the Financial Task Force internal project team identified three 'ingredients' for success:

1. The formation of a Delivery Team to oversee the implementation of the recommendations
2. Measurable and time-bound goals that link actions with desired outcomes
3. Routines that sustain urgency and help identify bottlenecks early for prompt resolution

The foundations for these elements are already in place. First, some original project team members can transition into a Delivery Team. The Team supported the development of the recommendations and understood the intentions of the Task Force. Second, Administration developed preliminary action items to accompany the recommendations. For each action item, the Delivery Team would set both the targets and the speed for achieving them by reviewing existing deadlines and commitments and by leveraging a cross-corporate assessment of the scope of work and resource implications (Attachment 3). Third, reporting routines were initiated by Council direction through semi-annual progress updates.

To bring about sustained improvement to The City's fiscal sustainability, the Chief Financial Officer (CFO), as directed by the City Manager, would lead the Delivery Team. Two important team attributes proposed are a limited size team to promote cohesiveness and a delivery mind-set and working outside the traditional line-management hierarchy to facilitate rapid execution. Both attributes align with the "Rethink to Thrive" Strategy. The CFO would monitor and report on progress semi-annually in June and December, through the Priorities and Finance Committee.

The outcome of Administration's resource scoping exercise is that implementing the action items associated with the recommendations would require a combination of:

1. Existing resources with existing or expanded work programs,
2. Existing resources that prioritize actions items and drop lower priority work, and
3. New resources for independent third-party work or necessary for action items.

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Existing resources (existing or expanded work program, directly aligned work or re-prioritized work programs) can support implementing 17 recommendations, while 18 others would require new resources. Details based on the assessment of 'new' resource requirements for execution are available as Attachment 4.

For the recommendations requiring new resources, up to \$1.3 million in base funding would equip the Delivery Team for permanent, ongoing pieces of work directed by the Task Force. Up to \$4.0 million in one-time funding would support short-term consulting work and limited-term positions.

The first Delivery Team update in 2020 December would focus on five 'principles' for success:

1. Identification of outcomes (not outputs) that would confirm success or failure.
2. Formulation of the stretch goals that would help deliver on the outcomes.
3. Creation of a roadmap following a full assessment of return on investment for prioritization.
4. Integration of actions into City activities and the approach for facilitating integration.
5. Confirmation through robust accountability mechanisms that returns have materialized.

Wherever work aligns with other existing projects or programs, Council may receive information and make decisions related to the portions before December 2020.

Stakeholder Engagement, Research and Communication

The work of the Financial Task Force included a targeted engagement process with external stakeholders. The engagement occurred before Council received the recommendations. The stakeholder groups were:

- BILD Calgary
- Building Owners and Managers Association (BOMA)
- Business Improvement Area (BIA) Executive Boards
- Calgary Economic Development CED)
- Calgary Chamber of Commerce
- NAIOF Calgary

Council approved Financial Task Force recommendations were delivered to the stakeholders to make them aware of Council's decision and the path forward. They were also posted online at Calgary.ca/FinancialTaskForce.

Strategic Alignment

The recommendations of the Financial Task Force align with the desire of Council to provide support for economic recovery and resiliency within the City of Calgary. The success factors align with two Council Priorities:

- A Well-Run City, and
- A Prosperous City

By striving for fiscal sustainability and supporting a diverse and robust economy, implementing the Financial Task Force's recommendations also shares further alignment with:

- Calgary's Economic Strategy – Calgary in the New Economy
- The Downtown Strategy
- The Resilient Calgary Strategy, in particular, Pillar 1 – The Future of Calgary's Economy
- The Rethink to Thrive Strategy

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- The Economic Resilience Task Force
- The Solutions for Achieving Value and Excellence (SAVE) Program

Social, Environmental, Economic (External)

Fostering a reputation for fiscal discipline and sustainability and building relationships and improving communications with residents and businesses are vital social considerations highlighted by the recommendations. They implicitly include environmental considerations, given the large amount of energy that The City deploys to deliver municipal goods and services. The focus on job creation and attracting capital investments, outlined in several recommendations, reflect the vital role these forces play in driving improved economic performance.

Financial Capacity

Current and Future Operating Budget:

Administration estimates that the one-time costs of implementation will be up to \$4.0 million and recommends funding using 2020 investment income from the Fiscal Stability Reserve. Administration has also identified up to \$1.3 million in ongoing base funding starting in 2021 and recommends including the requests in the Mid-Cycle Adjustment report in 2020 November.

Action items, including those on sharing tax responsibility and additional revenue opportunities, will have future impacts on the operating budget and the preparation of property tax bylaws.

Current and Future Capital Budget:

There are no immediate impacts on the capital budget. Council will receive an update on any capital budget impacts resulting from implementation as part of regular reporting.

Risk Assessment

The Task Force developed implementable recommendations to support short- and long-term economic recovery and improve financial resiliency for The City. There is a substantial risk to the City if it does nothing and remains vulnerable to future economic stresses and shocks. Council would receive updates on additional risks arising from the implementation as they materialize.

REASON(S) FOR RECOMMENDATION(S):

Consistent with Council's direction, a Financial Task Force assessed solutions for short-term economic mitigation, long-term economic recovery, and revenue options to improve The City's financial resilience. The recommendations support Council directives for a Well-Run City. Implementation requires resources to achieve long-term fiscal sustainability.

ATTACHMENT(S)

1. Attachment 1 – Previous Council Direction
2. Attachment 2 – Executive Summary of Recommendations
3. Attachment 3 – Summary Scope of Work and Resource Implications
4. Attachment 4 – Assessment of New Resource Requirements and Implementation Priorities