

**Chief Financial Officer's Report to
Priorities and Finance Committee
2021 June 2**

**ISC: UNRESTRICTED
PFC2021-0796
Page 1 of 5**

Financial Task Force Implementation Update

RECOMMENDATION(S):

That the Priorities and Finance Committee recommend that Council:

1. Endorse the planning and budget principles in Attachment 5 and direct Administration to:
 - (a) use the principles in order to develop a decision-making framework for the 2023-2026 service plan and budget cycle; and
 - (b) include the principles in the next update to the *Multi-Year Business Planning and Budgeting Policy*.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2021 JUNE 08:

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HIGHLIGHTS

- **Reason for recommendations:** A semi-permanent set of principles for planning and budgeting will help increase citizen understanding of the service planning and budgeting process. It supports Council's desire for improved communication and better understanding of the high-level aims of the service plans and budgets.
- **What does this mean to Calgarians?** Calgarians will see a better service planning and budgeting process. Administration is actively engaged in the implementation of the recommendations of the Financial Task Force.
- **Why does it matter?** A semi-permanent set of service plan and budget principles forms the foundation of a solid process and service plan and budget document that meets the needs of citizens and Council. The recommendations of the Financial Task Force seek to ensure more sustainable, long-term approaches to municipal fiscal issues.
- Administration remains committed to addressing each of the recommendations brought forward by the Financial Task Force and is actively engaged in implementing those recommendations.
- Progress has been made and there remains a lot of work ahead.
- The City's next four-year plan and budget process will be key to integrating the Financial Task Force recommendations.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

Financial Task Force Implementation Update

DISCUSSION

The Financial Task Force report and recommendations were delivered to Council in July 2020. The scope of the recommendations is expansive and the implementation of the recommendations is a cross-corporate program. There were 35 recommendations made by the Financial Task Force and Administration responded to the recommendations with 73 administrative action items. A high-level overview of each recommendation and administrative action item is included in Attachment 2.

Overall Program Status

A member of Administration with relevant skills and experience has been assigned to each action item and asked to provide a proposal to address the item. Thus far, 61 of the 73 Administrative Action Items are being implemented through 33 proposals. A one-page summary featuring the substance of each proposal, the progress made thus far, and what to expect in the next 6 months has been included in Attachment 3. Where a proposal has not yet been drafted, it has been due to the lack of organizational capacity due to COVID-19 impacts, the organizational realignment or other competing priorities. It is anticipated that in December 2021, all the Administrative Action Items will have an implementation proposal. Potential future impacts on timelines could occur due to service plan and budget changes, COVID-19 impacts and the organizational realignment. The focus will be to integrate as much as possible into the upcoming 2023-2026 service planning and budgeting cycle.

Key Areas of Progress

Over the past 6 months, progress has been made on many fronts including: improving the understanding of municipal financial circumstances with The City's Financial Narrative and a new benchmarking initiative; working towards addressing crisis-level vacancy in downtown office properties through the downtown strategy; removing barriers to TIPP participation; accessing alternative revenue streams; and better engaging with partners through a provincial engagement strategy. Details on these success stories can be found in Attachment 4.

Real Estate Working Group

Real Estate Working Group has been established to provide advice to the Chief Financial Officer and has offered advice on a potential grant program to incent the development of industrial land. They will continue to work on Recommendations 19, 21 and 33 as originally outlined in their terms of reference.

Planning and Budgeting Principles

In responding to Recommendation 2, the Financial Task Force Implementation Team recognized that (a) forming principles around taxation could not be done in isolation from the larger service planning and budget process; and (b) a solid decision-making framework needs to be supported by foundational principles. The team reviewed principles for planning and budgeting that The City has used in the past, looked at the current principles used by large municipalities like Toronto and Vancouver, and reviewed principles from the Government Finance Officers Association and the Organization for Economic Cooperation and Development. The proposed principles in Attachment 5, though high-level, set the foundation for a solid decision-making framework for the 2023-2026 service plans and budgets and, with Council direction, will be included in the next update to the *Multi-Year Business Planning and Budgeting*

**Chief Financial Officer's Report to
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2021 June 2**

**ISC: UNRESTRICTED
PFC2021-0796
Page 3 of 5**

Financial Task Force Implementation Update

Policy. These principles will be supplemented by tax setting principles to be included in the Taxation Policy, which Administration intends to present to Council in Q2 2022.

What's Next

In the next 6 months, the implementation work will continue. Council can expect additional items mentioned by the Financial Task Force, including:

- the delivery of The City's Long Range Financial Plan;
- recommendations on the TIPP program and potential changes to the TIPP bylaw; and,
- a scoping report on the appropriate distribution of tax share between the residential and non-residential classes.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☒ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

Public communication or engagement was not required for the drafting of this report.

The Financial Task Force Implementation Steering Committee, comprised of experts both internal and external to The City, have been kept informed of Financial Task Force implementation progress and were consulted in the drafting of this report.

IMPLICATIONS

Social

Including equity as a principle for service planning and budgeting will raise awareness and increase our focus on achieving equity in service delivery.

Environmental

Not applicable

Economic

The implementation of the Financial Task Force recommendations includes supporting business friendly initiatives,¹ promoting fiscal responsibility and accountability for financial decisions,² and aiding in the prioritization of important initiatives to promote Calgary and encourage growth.³

Service and Financial Implications

¹ Financial Task Force Recommendation #5, for example.

² Financial Task Force Recommendations #1,2, and 3, for example.

³ Financial Task Force Recommendation #33, for example.

Financial Task Force Implementation Update

No anticipated financial impact

The recommendations of the Financial Task Force have broad implications across The City. In general, the recommendations tend towards improvement to the assessment and taxation system, clearer communication of value, more diversity in revenue sources, more regional coordination and a clear focus on economic development.

RISK

The implementation of the Financial Task Force recommendations is a large and complex program composed of many projects. There are three significant risk categories.

Dependency on partners – many recommendations rely on our regional and provincial partners' collaboration and cooperation. While work on The City's position and approach will continue, actual implementation could be slowed or stopped due to disagreement about implementation details with partners. City Administration will work hard to mitigate this risk by prioritizing early engagement on joint interest and responsibility issues.

Corporate context – the implementation of the Financial Task Force recommendations will take place in a context of change. Work on the organizational realignment underway may impact the amount of time that non-dedicated employees devote to Financial Task Force Implementation-related activities. In addition, the SAVE program will continue to require resources around the organization to continue to find savings for the 2022 budget adjustments. The one-time and base budget requests associated with the Financial Task Force help mitigate the risk.

Political sensitivity – the Financial Task Force has recommended increasing user fees to reduce the need for property tax funding or changing the taxation system. The impacts of these types of changes are likely to be felt acutely by certain users or taxpayers. Affected groups would likely express some degree of concern publicly. Where it is possible to foresee these acute impacts, the Financial Task Force implementation team will inform affected stakeholders about the potential impacts as early as possible.

ATTACHMENT(S)

1. Previous Council Direction, Background
2. Overview of Administrative Action Progress
3. Implementation Reports
4. Financial Task Force Q2 2021 Highlights and Successes
5. Service Planning and Budgeting Principles

**Chief Financial Officer's Report to
Priorities and Finance Committee
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**ISC: UNRESTRICTED
PFC2021-0796
Page 5 of 5**

Financial Task Force Implementation Update

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer's Department	Approve
Chris Arthurs	Deputy City Manager's Office	Inform
Doug Morgan	Transportation	Inform
Les Tochor	Finance	Consult