

10 YEAR ECONOMIC STRATEGY UPDATE

EXECUTIVE SUMMARY

In 2014, City Council approved Building on our Energy: An Economic Strategy for Calgary, led by Calgary Economic Development (CED). This report is a progress update on implementation since the 2015 December update to the Priorities and Finance Committee. Since that time, CED has accelerated activities in four key areas: promoting Calgary's Inland Port designation, conducting an out of market campaign, implementing a Head Office and Real Estate Strategy, and building Calgary as a Global Talent Hub. CED has used funding from the Community Economic Resiliency Fund to build their capacity by hiring two new contract staff. As of the end of Q1, 80 per cent of tactics in the Economic Strategy were commenced or completed, compared to 70 per cent in 2015 December.

ADMINISTRATION RECOMMENDATION

That the Priorities and Finance Committee recommends that Council receive this report for information.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2016 MAY 31:

That the Administration Recommendation contained in Report PFC2016-0396 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2016 February 22, Council approved that Administration's Recommendations in C2016-0176 be adopted, as follows: That Council 1.Receive this report for information; and 2.Direct Calgary Economic Development to report back with Innovate Calgary and Administration to the Priorities and Finance Committee with a plan to develop an Innovation Framework for Calgary for approval no later than 2016 May prior to release of \$325 thousand of the \$7 million referenced in recommendation 1 of PFC2016-0081.

On 2016 February 2, the Priorities and Finance Committee adopted Administration Recommendation 1 contained in PFC2016-0081 be approved, as follows: That the Priorities and Finance Committee recommend that Council: 1. Approve a one-time increase to operating budget program 449 - Calgary Economic Development by \$7 million from the Community Economic Resiliency Fund to carry out the initiatives detailed in Attachment 3 and direct Calgary Economic Development to report back on the use of the funds through their 10-Year Economic Strategy updates to the Priorities and Finance Committee; and that Administration Recommendation 4 contained in Report PFC2016-0081 be approved, as amended, as follows: That the Priorities and Finance Committee recommend that Council: 4. Direct Administration to provide a supplementary report to the 2016 February 22 Meeting of Council containing more information as requested at today's meeting, with respect to Recommendations 1 and 2.

On 2015 December 15, Council approved the 10 Year Economic Strategy Update (PFC2015-0821) and directed Calgary Economic Development to provide an annual report to the Priorities and Finance Committee no later than May each year, commencing 2016 May.

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On 2014 November 3, Council adopted Building on our Energy: an Economic Strategy for Calgary including implementation plan, and directed Calgary Economic Development Ltd. to provide an annual report on the Strategy to the Priorities and Finance Committee no later than December, commencing 2015 December (PFC2014-0809).

BACKGROUND

Building on our Energy: an Economic Strategy for Calgary is a collaborative initiative that aligns with The City's existing strategies and draws on the energy of Calgary's global connections, entrepreneurs, innovators, communities and people to focus on economic development in Calgary. With the current economic conditions, this collaborative approach to supporting, expanding and diversifying our economy is critical. Each of the Strategy's 32 actions is assigned to a lead organization with other stakeholders identified as providing support. Calgary Economic Development (CED) is leading or co-leading 16 actions. Representatives from another 27 lead organizations sit on a Leadership and Implementation Team that provides advice and guidance.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This report provides highlights from 2016 Q1 and early Q2, particularly activities accelerated through the one-time Community Economic Resiliency funds including agribusiness, renewable energy, global talent hub efforts, real estate/head office strategies, promoting Calgary's Inland Port status, local and out of market campaign, and creative industries.

Insight into Economic Conditions

CED and others anticipate that Calgary will continue to face economic challenges. Q1 2016 saw more layoffs, and unemployment rates increased to over 8 per cent, reinforcing concerns about retaining Calgary's talent and increasing office space vacancy rates in the downtown core.

Results from CED's annual client survey demonstrate how the local business community sees the impact of the current challenges. Seventy two per cent of respondents believe the oil and gas industry has fundamentally changed and our economy will not return to what it was. However, despite the continued downturn, 67 per cent of respondents from CED's Business Confidence survey are hopeful about the future of Calgary's economy. Seventy four per cent of respondents to CED's Annual Client Survey believe the economy is dominated by oil and gas but has diversified over the years – this rises to 80 per cent for those familiar with CED and 84 per cent for those familiar with the Economic Strategy.

CED's Annual Client survey also indicates that awareness of the Economic Strategy has increased from 22 per cent in 2015 to 35 per cent of respondents in 2016. Seventy three per cent of respondents believe CED serves an important role in building Calgary's prosperity.

In 2016 Q1, both the provincial and federal government released new budgets that align with the Economic Strategy and its efforts to diversify the economy. The Province introduced the Alberta Investor Tax Credit and Capital Investment Tax Credit, and the federal budget included funding for innovation, in particular accelerators and incubators. Both levels of government included investments in agriculture and renewable energy, and allocated funding for infrastructure.

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In late February, CED convened close to 200 of Calgary's business, community and government leaders for an Economic Summit. Participants discussed the opportunities and challenges facing Calgary, and the actions that both business and government need to take to create a diversified, resilient, and innovative economy. Based on the key themes that emerged from the Economic Summit, CED will build the following recommendations into the Strategy:

- Work with private sector and government stakeholders to improve access to capital for start-ups.
- Work with the private sector, secondary and post-secondary stakeholders to align education with future workforce needs.
- Pursue innovation across all sectors and encourage innovation within companies.
- Support and promote the value of creating and making in Calgary.
- Promote Calgary as a Talent Hub.
- Position Calgary as a location for corporate headquarters.

Other themes that emerged that are already addressed in the Strategy included:

- Create a policy environment that supports business growth and continue to cut red tape.
- Continue to implement the Strategy to strengthen collaboration, focus on Calgary's strengths, and diversify the economy.
- Support entrepreneurs.
- Seek opportunities to redirect, retrain, and redeploy our talent pool; and train people for future opportunities.
- Tell Calgary's story by promoting energy literacy and showcasing Calgary's small businesses, diversity, and competitiveness as a place to do business.

Activity Highlights

Since 2015 December, CED has accelerated activities in four key areas that will continue to be priorities in 2017: trade and logistics, primarily promoting Calgary's new Inland Port designation; an out of market campaigning; the Head Office Attraction and Real Estate Strategy; and promoting Calgary as a Global Talent Hub. CED has developed business plans for three of these areas.

Attachment 1 includes Administration's summary of key implementation activities since the 2015 December report to PFC. Overall, 80 per cent of tactics are now completed or commenced, an increase from 70 per cent in 2015 December. A status update from CED about the percentage of activities underway in each goal area is included in Attachment 2. Detailed updates for each area of the Strategy, including supplementary indicators where available, are included in Attachment 3 and core indicators are updated with new data, where available, in Attachment 4.

CED has identified a number of key challenges it has faced to date during implementation including:

- Entrepreneurial support system is diverse and disconnected.
- Provincial government changes to securities regulations are required to facilitate investment in start-ups.
- During the downturn it is more difficult to turn attention to socially conscious business practices that address poverty.

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- The provincial government has not yet opened conversations on alternative financing for municipal infrastructure.

Measuring Progress

Successful implementation of the Strategy is being measured through community wide, high-level core indicators and sector-specific supplementary indicators in individual action areas. In an effort to align with The City's adoption of an Results Based Accountability (RBA) approach, core and supplementary indicators are presented in an RBA format (Attachments 3 and 4). RBA is a simple and common sense approach to presenting data that can help communicate the story of the Economic Strategy's progress and allow opportunities to provide context for results. The supplementary indicators focus on the RBA questions "How much did you do" and "How well did you do it" and the core indicators are population level measures to track "Is anyone better off." Throughout 2016, CED will continue to refine the supplementary measures and Administration will provide ongoing support to continue evolving the RBA-style reporting

Each action in the Strategy is paired with a series of supplementary indicators to assess community, wellness, labour force participation and employment of marginalized groups, community perceptions, among other factors. CED will continue to work with stakeholders to refine and reduce the list of supplementary indicators by leveraging data already being collected, and focusing on high quality measures with the most suitable frequency. Attachment 3 provides an update on key actions along with selected supplementary indicators, contextual information, activity highlights and next steps for each area of focus.

The core indicators that track "Is anyone better off" are gathered from a number of data sources including The City and Statistics Canada. They are population level measures that help identify long term trends related to Calgary's sense of community, sustainable development, and shared prosperity. While the Economic Strategy's actions contribute to changes at this level, they are only one of many stakeholders affecting change. Attachment 4 presents core indicators in an RBA format and provides updated data where available. As these are population-level measures with data collected over a longer period, new data is only available annually or every few years for particular measures.

Stakeholder Engagement, Research and Communication

Initial engagement for the development of the Strategy included outreach to 490 stakeholders. Since 2015 December, CED has reached out to hundreds of stakeholders to implement actions and 28 articles with 2,000,000 viewers were written that referenced the Strategy.

Strategic Alignment

The Economic Strategy closely aligns with Action Plan 2015-2018, the Municipal Development Plan, Corporate Industrial Land Strategy, imagineCALGARY, Centre City Plan, and Enough for All.

CED is a member of The City's Resiliency Team which provides an ongoing opportunity to align their work with City programs and initiatives related to economic development. CED also participates on the Implementation Leadership Council for the Enough for All Strategy and the

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Stewardship Group for imagineCALGARY to ensure continued alignment throughout the implementation of the Economic Strategy.

Social, Environmental, Economic (External)

The Strategy is a key method of delivering on the following Council Strategies in Action Plan 2015-2018:

- P1. Strengthen Calgary's position as a global energy centre and location of choice for international talent, investment and innovation through enhanced business development, marketing and place-making initiatives.
- P2. Advance purposeful economic diversification and growth.
- P3. Support civic, business and community partners, as well as business revitalization zones to collaborate and attract local and global investment.

Financial Capacity

Current and Future Operating Budget:

Funding for implementation of the Strategy is included in Action Plan 2015-2018. The additional \$7 million was a one-time allocation from the Community Economic Resiliency Fund to accelerate implementation of the Strategy.

Current and Future Capital Budget:

There are no impacts regarding this request.

Risk Assessment

Many of the risks identified in PFC2014-0809 including lack of leadership, continuity, and accountability are mitigated by the Strategy's design and collaborative implementation approach.

The greatest risk identified at the outset was a lack of collaboration and leadership in meeting the goals and objectives in the Economic Strategy. In the first 18 months of implementation CED recognizes that collaboration and collective adoption of the goals has, in fact, strengthened. During these challenging times, stakeholders have rallied around collective action. CED continues to monitor implementation of the Strategy to assess if further changes to the model are required. As an organization, CED also has an Enterprise Risk Matrix that identifies risk and mitigating strategies.

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REASONS FOR RECOMMENDATION:

Continued collaborative implementation of the Building on our Energy: an Economic Strategy for Calgary will help strengthen Calgary's trade and investment, foster purposeful diversification, channel innovation and creativity, support the development of strong communities, and reinforce that every citizen should benefit in the region's prosperity.

ATTACHMENTS

- Attachment 1: Implementation Highlights from Administration
- Attachment 2: Q1 2016 Community Progress Report
- Attachment 3: Supplementary Indicator Update
- Attachment 4: Core Indicator Update