

Chief Financial Officer's Report to
Executive Committee
2021 December 14

ISC: UNRESTRICTED
Revised EC2021-1597
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Financial Task Force Implementation Update

RECOMMENDATION:

That the Executive Committee recommend that Council give three readings to the proposed Bylaw (Attachment 7) to amend the Tax Instalment Payment Plan Bylaw 9M2002.

HIGHLIGHTS

- **Reason for recommendations:** Some of Administration's proposed actions to support the ongoing relevance and utility of the Tax Instalment Payment Plan (TIPP) program require amendments to the enabling bylaw.
- **What does this mean to Calgarians?** Improved financial sustainability of their municipal government through implementing the recommendations of the Financial Task Force. Property owners will see fewer financial barriers and an improved experience when applying for the Tax Instalment Payment Plan.
- **Why does it matter?** 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.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The Financial Task Force report and recommendations were delivered to Council in 2020 June. The expansive scope of the recommendations required a cross-corporate implementation 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 progress on each recommendation and administrative action is included on page 2 of 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, 70 of the 73 Administrative Action Items are being implemented through 34 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 2.

Key Areas of Progress

Over the past 6 months, progress has been made on many fronts including:

- Updates to the Long Range Financial Plan, including external review and approval of one-time funds to create an implementation plan.
- Improvements to the Residential Property Taxes and Utility Charges Survey

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- Advancement of the Provincial Engagement Plan, including The City of Calgary's resolution regarding Advocacy on Financial Measures (IGA2021-0883) being adopted as policy by the AUMA membership.
- Real Estate Working Group delivered external advice related to the implementation of specific Financial Task Force recommendations.

Details on these highlights and more can be found in Attachment 3.

Tax Distribution Scoping Report

The potential approaches to determine the distribution of taxes between the residential and non-residential classes and their implications are described in Attachment 4. Additional work is required to come to a recommendation on the approach including stakeholder engagement and a buildout of the comparative data. Administration is preparing a Taxation Policy designed to address many of the issues relating to Recommendation 19 of the Financial Task Force which will be completed before the end of 2022 Q2.

Tax Instalment Payment Plan Bylaw Changes and Implementation

Administration is proposing several actions to support the ongoing relevance and utility of the TIPP program. These actions to support continued growth in the program are detailed in Attachment 5 and align with both survey results (Attachment 6) and the recommendations of the Financial Task Force. They include: the removal of the requirement for participants who join TIPP after January 1st of a given year to pay a 2% filing fee and to pay their missed instalments as a lump sum; the creation of an online application portal to improve user experience and administrative efficiency; and to enhance communication regarding the benefits of TIPP.

Challenges

Most implementation delays reported in Attachment 2 reflect changes in delivery date for individual projects from 2021 Q4 to 2022 Q1.

Several Task Force recommendations rely on improved costing for services that offer a substantial benefit to non-Calgarians. Resource constraints related to organization realignment have meant this work has not yet been advanced, but Council approved an adjustment to the 2022 operating budget to fund additional financial reporting and analysis, which will enable an enterprise approach to service-specific costing.

Two FTF recommendations explicitly mention working with the Economic Resilience Task Force to explore alternative revenue options. As that group's mandate shifted in response to the pandemic, and their work has now concluded, Administration will look to solicit external input on revenue items from other sources.

What's next?

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

- Taxation Policy

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- Results of investigations into assessment smoothing and subclass legislation
- Update on provincial advocacy measures
- Municipal finance options related to alternative revenue sources and countercyclical fiscal policy

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, though the proposed changes to the TIPP program were informed by a survey of a random sample of property owners in Calgary who are responsible for paying property tax.

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

Remaining responsive to the needs of Calgarians is a critical social consideration. Responding to the recommendations of the Financial Task Force will provide direct and indirect benefits to Calgarians, the details of which will be articulated in the report back on the implementation of individual recommendations.

Environmental

Not applicable

Economic

The implementation of the Financial Task Force recommendations includes improving the understanding and long-term sustainability of municipal finances, responding to long-term and cyclical changes in the local economy, working closely with regional and government partners to achieve progress, and making Calgary more competitive, livable and attractive.

Service and Financial Implications

No anticipated financial impact

Implementing the recommendations of the Financial Task Force has broad implications across The City. In general, the recommendations tend toward improvements 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.

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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 is working to mitigate this risk by prioritizing early engagement on joint interest and responsibility issues.

Corporate context – the implementation of the Financial Task Force recommendations is taking place in a context of change. Work on the organizational realignment and budget adjustments has impacted the amount of time that non-dedicated employees devote to Financial Task Force Implementation-related activities. The one-time and base budget funding 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, and to make changes to the taxation system, which impacts the amount and distributions of property tax paid. The impacts of these types of changes are likely to be felt acutely by certain users or taxpayers. Affected groups may 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. Implementation Reports
3. Financial Task Force Q4 2021 Highlights and Successes
4. Tax Distribution Scoping Report
5. Tax Instalment Payment Plan Update Report
6. Results of TIPP Program Engagement Survey of Property Owners
7. Amendments to Bylaw 9M2002 Tax Instalment Payment Plan
8. TIPP Bylaw 9M2002

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	Inform