



Establishing Policy to Respond to Economic Highs and Lows

2022 September 29

Recommendation

That the Executive Committee recommends that Council:

- Direct Administration to complete an assessment of the built-in capacity of existing reserves to support the countercyclical fiscal policy options in Attachment 2 by 2023 Q4.
- Direct Administration to use the assessment of existing capacity to develop formal Administration procedure or policy (including appropriate triggers) to moderate the impact of economic highs and lows.

32

Adjust tax rates for relief when needed and stabilize rates with reserves



FTF Recommendation #32:

Advocate for the scope to deploy countercyclical fiscal policy at the municipal government level when the local economy is in a recession, by starting with the following tools and then expanding on them:

- Tax reductions
- Timely capital investment
- Explore benefits of new tools
- Recommend the tools when benefits exceed the costs

Administration Action 32a.

Administration will review opportunities to enact countercyclical fiscal policy within the current legislation and report to Council with recommendations by Q4 2021 (postponed to Q3, 2022).

Preference-ordered Set of Countercyclical Policy Tools and Their Evaluation Criteria



Cost Effectiveness

Reflects the outcome of the review of costs associated with the tools



Timeliness of impact

Reflects an earlier finding that Calgary's shortcoming has been implementation delay



Stimulus effect


Reflects the outcome of the review of benefits associated with the tools


Policy tools based on preference order


1. Temporarily Increase Operating Expenditures
2. Accelerate Capital Expenditures
3. Targeted Business Relief
4. Targeted Residential Property Tax Rebate
5. Temporary User Fee Reductions




Policy Design

- 

1 Stimulus funds must be spent rather than put into savings.
- 

2 The effect on demand must be realized quickly.
- 

3 Increased spending resulting from the policy must be spent locally rather than on imported goods and services.
- 

4 If slack in the economy is limited to specific industries, increases in demand must be directed to those industries.

Policy Implementation

- 

1 Speed of Response
- 

2 Public Communication
- 

3 Effective Targeting
- 

4 Strong Partnerships
- 

5 Fiscal Limits
- 

6 Mitigating Risks

Five strategies in developing a formal countercyclical fiscal policy for Council approval



Hierarchy

for applying the tools to address boom-and-bust cycles.

Approvals

that separate elements of administrative authority from council approvals for adequate and timely responses to economic shocks.

Amendments

to existing reserves may be a prudent approach rather than creating new reserves.

Capacity

assessment to determine if existing reserves have the built-in capacity to support policy efforts.

Triggers

that determine when to apply tools and the magnitude of support.

Recommendation

That the Executive Committee recommends that Council:

- Direct Administration to complete an assessment of the built-in capacity of existing reserves to support the countercyclical fiscal policy options in Attachment 2 by 2023 Q4.
- Direct Administration to use the assessment of existing capacity to develop formal Administration procedure or policy (including appropriate triggers) to moderate the impact of economic highs and lows.