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Submission on the City of Calgary's 2011 Budget Adjustment

**Ideas and opportunities to strengthen
Calgary**

November 26, 2010



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Executive Summary

The Calgary Chamber of Commerce represents over 2,300 Calgary-based businesses. On critical and emerging issues in public policy, the Chamber acts as the leading forum for debate, and advocates public policy solutions that improve the business climate on behalf of its members. The Calgary Chamber puts forth this submission on behalf of its members, the small, medium and large enterprises that are directly impacted by the budgeting, financial management and expenditure decisions of the City of Calgary.

To make Calgary even greater the Calgary Chamber of Commerce proposes that the newly elected Mayor and Aldermen consider the following recommendations:

1 Budgetary measures

1.1 A great quality of life at a reasonable price - Setting a fiscal target to prioritize spending

- Limit annual spending increases to within a 'smart spending bandwidth' delimited by population growth plus inflation and real GDP growth plus inflation.

1.2 From a three-year binding budget to a three-year rolling budget

- Move from a three-year binding budget to a three-year rolling budget introduced annually, to better enable Council to respond to unanticipated growth and service delivery pressures.

1.3 Communicate the true cost of municipal services

- Increase efforts to communicate to Calgarians the non-residential property tax and business tax burdens (in addition to the residential property tax burden), so that citizens and businesses have a more complete understanding of the costs of providing the bundle of municipal services.

1.4 Municipal tax equity

- Restructure the municipal financing framework to, where applicable, fund and deliver municipal services based on the 'benefits principle' (those who benefit more from a product or service should pay more).

1.5 Franchise fee reform: An equitable and engaging approach

- Set franchise fees based on the total delivery cost of the service and exclude the value of the commodity from the calculation.
- Formally engage and communicate with the public to ensure Calgarians fully understand the policy rationale and costing formula of municipal franchise fees.

2 Governance measures

2.1 Focusing on the big picture: Reinventing the role of City Council

- Structure Mayor and Council to be similar to an Executive Committee – one that sets the strategic priorities and policy direction for the city as a whole (the City of Ottawa has considered a similar model).
- Re-engineer and resource each Standing Committee to be similar to a Ministry that develops business plans and budgets to deliver on strategic priorities approved by Council, and provides an oversight function that ensures adequate service delivery and value for money.
 - Each Committee Chair would propose annual policy and program priorities and accompanying budgetary requirements for Council approval, based on Council's strategic priorities.
 - New priorities (and budget requests) outside the approved program would be presented by the Committee Chairs to Council for approval.
 - Council meetings would be more focused, as Committee Chairs would lead agenda items on behalf of Committees and only bring forward “big picture” and strategic items for discussion and approval.
- Develop an Accountable Government Doctrine and supporting codes of conduct that clearly define the role of elected officials as setting the policy direction, and the administration as objectively serving the government of the day, and implement the necessary changes accordingly.

2.2 Independent financial advice: How audits help

- Require a two-thirds majority vote for Council to suspend or terminate the Auditor.
- Enable the Auditor to establish the audit plan without Council or Audit Committee approval, but that Council may amend the plan with a two-thirds majority.
- Set the Auditor's budget to be a fixed proportion of total municipal expenditures, ensuring the Auditor continues to have sufficient resources, independent of Council decisions.
- Enable the Auditor to report to Council directly, rather than only to the Audit Committee, and notify the public of these reports, in order to raise the profile of the findings.



Introduction

The Calgary Chamber of Commerce represents over 2,300 Calgary-based businesses. On critical and emerging issues in public policy, the Chamber acts as the leading forum for debate, and advocates public policy solutions that improve the business climate on behalf of its members.

Given current economic challenges, setting the right conditions for business success is more important than ever. The Calgary Chamber of Commerce, on behalf of its members, has for many years brought forward recommendations on key issues to increase economic opportunities and raise Calgarians' standard of living. In doing so, the Chamber conducts surveys to canvas its membership on the spending and fiscal management priorities of government. In a 2010 municipal survey, Chamber members identified fiscal management (spending and priority setting); transparency and accountability; and municipal property and business tax competitiveness as top fiscal priorities for the new Mayor and Council.

In response to Chamber member priorities and the municipal election, the Chamber launched the Great Calgary initiative, which sought to get Calgarians and municipal Council talking about ways to make our city even greater. As part of this initiative, the Chamber released 15 Policy Action Briefs based on the business community's priority themes of governance; growth and development; and finance (available at GreatCalgary.ca). This submission builds on a number of a number of the policy issues and ideas presented in the Chamber's Great Calgary initiative – particularly those with financial implications.

The Chamber's budget submission is structured around seven main issues:

Budgetary Measures

- 1) A great quality of life at a reasonable price - Setting a fiscal target to prioritize spending
- 2) From a three-year binding budget to a three-year rolling budget
- 3) Communicate the true cost of municipal services
- 4) Municipal tax equity
- 5) Franchise fee reform: An equitable and engaging approach

Governance Measures

- 6) Focusing on the big picture: Reinventing the role of City Council
- 7) Independent financial advice: How audits help



Budgetary measures

1 A great quality of life at a reasonable price - Setting a fiscal target to prioritize spending

Calgary is a great city. We offer a world-class quality of life with fantastic public spaces and high quality infrastructure.

Our elected officials have been instrumental in shaping how Calgary has evolved over the years and the corresponding suite of services offered. We recognize that over time, and in response to the increased demands of citizens and global competition for investment and talent, cities have necessarily expanded their scope of services to include 'quality of life' focused priorities.

While the Chamber supports the need for The City to offer an attractive and compelling package of services to make Calgary a truly desirable place to live, work and do business, we also recognize that this service package must be fiscally sustainable.

Due to tremendous pressures to enable municipal services to catch up to population growth, City Council has put forward perennial operating spending increases in excess of population and economic growth. This puts in place a challenging trajectory of cost and tax increases exceeding the long-term capability to pay.

With a 2011 budget shortfall forecast to be in the \$47 million range, it would seem that now is a good time to discuss how to provide a high quality suite of municipal services that is within our collective ability to pay.

The Calgary Chamber of Commerce supports the idea of City Council establishing fiscal targets as a means to manage spending. In particular, the Chamber supports the notion of a 'smart spending bandwidth' for annual expenditure increases. This bandwidth is set based on two key economic indicators – between population growth and inflation, and real GDP growth and inflation (see Figure 1 below).

The target acknowledges that higher demand for services (and associated cost pressures) will occur with population and economic growth. It balances the need to respond to growth in a sensible framework while not overburdening individual and business taxpayers. The bandwidth can be viewed as the incremental revenues required to support corresponding demand increases.

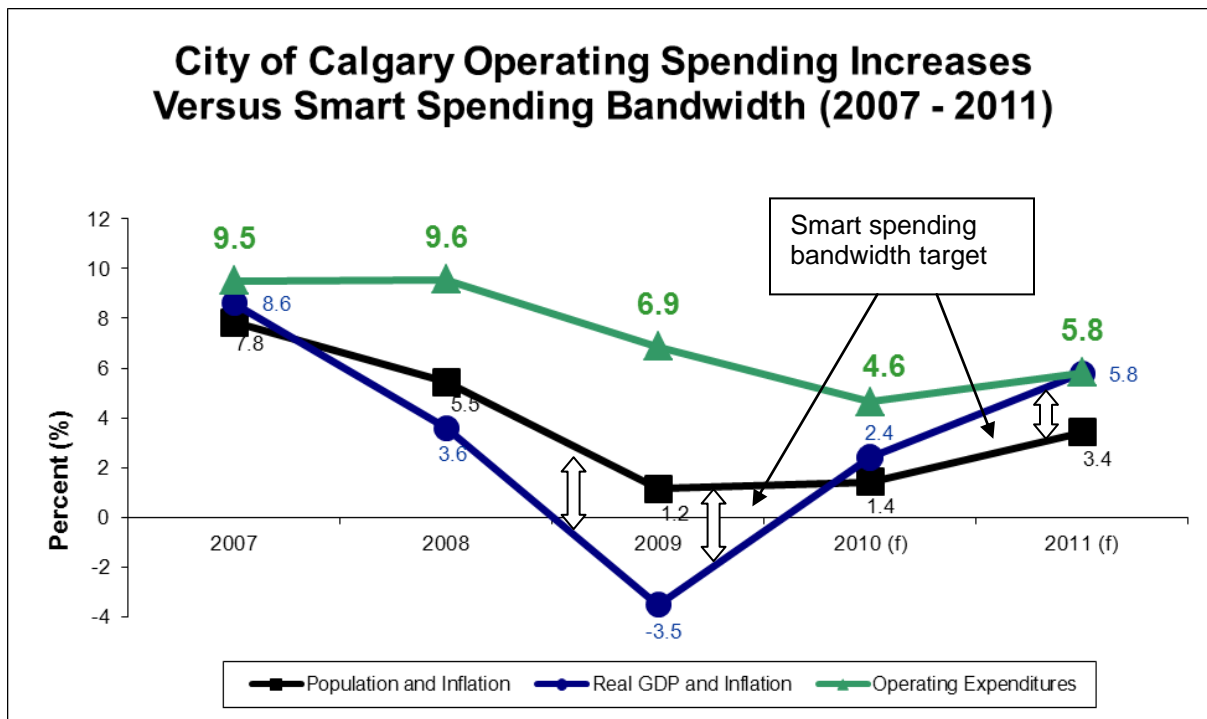
To reach the lower end of the 2011 bandwidth target (Figure 1) City Council would need to reduce operational spending by \$61 million.

The smart spending bandwidth target incorporates key growth factors into the municipal budget process and, when considered in combination with development levies and increased revenues collected from new tax-paying households, should provide sufficient revenues to support the increased needs and demands of The City, without compromising our quality of life.

The Calgary Chamber of Commerce recommends that The City:

- Limit annual spending increases to within a 'smart spending bandwidth' delimited by population growth plus inflation and real GDP growth plus inflation.

Figure 1



Sources: City of Calgary: Proposed Adjustments to Business Plans and Budgets: 2011. Approved Adjustments to Business Plans and Budgets: 2010-11. City of Calgary: Calgary's Economic Outlook 2010 – 2015 (Q2 2010), Calgary Economic Development: 2010 Calgary Economic Outlook, Calgary Chamber of Commerce calculations

2 From a three-year binding budget to a three-year rolling budget

Municipal budgeting takes great skill. Our local elected officials work hard with administration to navigate and understand all the components of Calgary's nearly \$2.7 billion annual budget. City Council balances spending priorities with revenues to create a great city with competitive municipal taxes.

In an attempt to add greater predictability to the process, City Council introduced a three-year binding budget cycle in 2006, whereby members approved three years of operating budgets at one time, rather than approving the operating budget on an annual basis.

As a result, The City undertakes full budget reviews only once every three years, and engages in budgetary adjustments for the two years in-between. We are currently in the 2009-11 cycle.

Some of the proposed benefits of a three-year budget include a more predictable financial framework for municipal planning; greater certainty for citizens regarding service delivery and tax levels; and reducing the amount of time spent on preparation and review of budgets.¹

However, as with the \$47 million budget shortfall for 2011, the three-year model does not necessarily preclude Council from having to extensively review the municipal budget annually.

Budgeting for three-year periods may actually hinder The City's ability to respond to unanticipated economic and service delivery challenges. This was particularly evident in 2006-07 when the City experienced record population (3.7 per cent) and employment (7.4 per cent) growth, but was limited in its ability to respond to service and infrastructure demand.²

During the subsequent economic downturn, Calgary's unemployment rate doubled from 3.4 to near 7 per cent and real GDP growth was at -2.5 per cent in 2009. Municipal taxes actually increased over this period.³ Incorporating greater flexibility into the municipal budgeting process would have enabled The City to respond better to the changing economic environment.

¹ City of Calgary. (2005). Staff Report C2005-94

² Calgary Chamber of Commerce. (2008). *Municipal Land Development Policies and Regulations and the Impact on Calgary Housing Affordability*. P. 1.

³ Alberta Finance and Enterprise. 2010-13 Economic Outlook



While there is merit in developing multi-year business plans and performance measures as forward guidance, a three-year locked-in budget runs contrary to the practices undertaken by senior levels of government, all other municipalities across Canada, and the vast majority of private sector organizations.

Both the provincial and federal governments develop multi-year rolling budgets and business plans on an annual basis, whereby a new budget is produced every year. Expected revenues and service delivery needs are forecast for subsequent years to enable business units to anticipate and plan for service levels in future years.

Similar to the three-year binding budget, the multi-year rolling budget provides business planning and service delivery predictability; however, unlike the three-year binding budget, the rolling budget allows governments to incorporate flexibility into the process, and respond to changing infrastructure and service demands in a timely manner.

The Chamber presented municipal decision-making reforms in the Reinventing the role of City Council section later in the document. These reforms call for City Council to adopt a more strategic approach to municipal budgeting and decision-making – one in which Council establishes its strategic direction, service priorities and supporting budgetary requirements at the onset, along with a defined process for considering additional budget requests outside of the approved program.

These proposed reforms, in combination with a three-year rolling budget approach, would equip Council with the predictability and certainty through the three-year binding budget, while retaining the flexibility to respond to changing economic conditions and service delivery demands.

The Calgary Chamber of Commerce recommends that The City:

- Move from a three-year binding budget to a three-year rolling budget introduced annually, to better enable Council to respond to unanticipated growth and service delivery pressures.



3 Communicate the true cost of municipal services

Calgary is a centre for business excellence. Our city spirit is entrepreneurial, and people come to Calgary for opportunities to find work, grow their businesses and provide for their family.

To nurture this environment, The City should offer the best possible business and investment climate to encourage economic growth and wealth creation; one that offers a high quality suite of municipal services at the best possible price.

Critical to achieving this objective is ensuring Calgarians fully understand the cost of their municipal services.

The City currently has a number of tax tools at its disposal to generate revenues. Tax revenues make up the largest revenue source for The City, representing 45 per cent. These taxes include residential property tax, non-residential property tax and business tax.

Calgarians are most concerned with residential property tax. However, they should also be concerned with the other taxes.

Non-residential property tax and business tax are often passed onto Calgarians in the form of higher prices for goods and services and lower wages paid to employees. When taxes are levied on businesses and then passed onto Calgarians indirectly, it is difficult for Calgary taxpayers to gain a full understanding of how much they actually pay in municipal taxes.

Non-residential property tax and business tax are forecast to comprise 57 per cent of total taxes collected in 2011.⁴

The City of Calgary focuses significant resources on its accountability and reporting efforts geared towards residents. Its document *Proposed Adjustments to Business Plans and Budgets for 2010 and 2011* provides detailed information regarding increases in the residential property tax rate and the impact on households.⁵ The City even has a flashy new website, Tax Talk, which focuses exclusively on residential effects. The City of Calgary proudly communicates that its residential property taxes per capita are third lowest in the country.

⁴ City of Calgary. 2009. 2009-2011 Budget Adjustments.

⁵ City of Calgary. 2011. Proposed Adjustments to Business Plans and Budgets: 2011. P. 53.



However, The City communicates significantly less information regarding the competitiveness of Calgary's other major tax revenues (i.e. non-residential property tax and the business tax).

Comparing non-residential property tax and business tax per person across Canada for cities with populations over 100,000, Calgary is second highest only to Montreal (2009 figures).⁶

Focusing on Calgarians' total municipal tax burden (residential property tax, non-residential property tax and business tax), our city ranks near the middle of the pack across 21 Canadian municipalities.

This result is in stark contrast to Calgary's residential property tax ranking previously discussed.

In fact, Calgary's per capita tax burden has recently increased relative to other Canadian cities. In 2008, Calgary ranked seventh most competitive based on total municipal taxes per capita. In 2009 we rank eighth.

The Calgary Chamber of Commerce recommends that The City:

- Increase efforts to communicate to Calgarians the non-residential property tax and business tax burdens (in addition to the residential property tax burden), so that citizens and businesses have a more complete understanding of the costs of providing the bundle of municipal services.

⁶ Derived from City of Edmonton. 2010. *2009 Residential Property Taxes and Utility Charges Survey*.



4 Municipal tax equity

The City of Calgary provides a high quality suite of municipal services to the citizens of Calgary and uses a number of revenue tools to fund them. Some of these revenue tools include residential and non-residential property tax, business tax, grants from senior levels of government, and franchise and user fees.

The City's largest revenue source comes from municipal taxes (residential and non-residential property tax, as well as the business tax). Together, these revenues represent approximately \$1.2 billion annually (2011 forecast).

These taxes fund a variety of municipal services such as recreation facilities, parks, cultural venues, and social services that primarily benefit citizens.

In some instances, businesses are precluded from accessing municipal services and must pay out of pocket – such as for solid waste removal and recycling. However, businesses contribute more than citizens to the total municipal tax base. In 2011, non-residential property tax and business tax is forecast to comprise 57 per cent of total municipal tax revenues.

This disproportionate distribution of the municipal tax burden among business and residents raises an interesting challenge for The City. When revenues paid for a particular good or service are not linked to benefits received, no signal or incentive exists for citizens to consider costs when consuming the good. This type of financing arrangement can inadvertently encourage overconsumption, simply because people are not mindful of the costs of providing the good.

Consider the example of suburban growth. Both The City and the development industry recognize that new communities impose additional infrastructure costs. As a consequence, they enter into development agreements whereby developers fund much of the infrastructure provided in new communities. This cost is passed onto new homeowners, who are the beneficiaries of the infrastructure.

This approach ensures that citizens make an informed decision about the true cost of their decisions. If suburban housing becomes relatively more expensive as a result of developer levies, then individuals may choose to move to the inner city and utilize existing infrastructure rather than create demand for new infrastructure in suburban communities.

The City applies this 'benefits principle' in financing a number of other municipal services. For example The City imposes a local improvement levy for infrastructure upgrades that benefit a particular community (e.g. street paving, driveway crossings,



sidewalk replacement, lane paving, and curb and gutter replacement).⁷ In these instances The City can levy the entire cost on the benefiting community, or enters into a cost sharing agreement with the community.

Citizens can also choose to petition The City to provide enhanced landscape and boulevard maintenance through a Special Tax Bylaw.⁸ This is a tax levied for communities who desire additional services to improve the quality of their communities.

Business Revitalization Zones (BRZ) are an example of how this concept can apply to business. Under the BRZ bylaw, The City imposes a levy on businesses for the economic revitalization of a particular area. Examples of BRZs include the Calgary Downtown Association and the Uptown 17.

The City is very forward thinking in respect to these examples. It can expand the use of the 'benefits principle' to a number of additional municipal services.

For example, a regional recreation center is currently funded by a combination of property tax and user fees. This kind of facility, though, benefits a small localized population that is easily identifiable. In this case, it would make more sense to fund a recreation centre through a combination of user fees and a levy imposed on residents in a defined catchment area. Issues of free-ridership could be addressed by charging higher fees for residents outside of the catchment area.

Not all municipal services lend themselves to this financing model. Some services such as arterial roads cannot be assigned to a particular benefiting group. Others have positive external benefits for The City as a whole (e.g. social support and low-income housing services). Still others exhibit both private and public benefits, depending on their scale and increment (e.g. water and waste water). These types of services are best funded through the broad tax base as whole and/or some combination of taxes and user fees.

The Calgary Chamber of Commerce recommends that The City:

- Restructure the municipal financing framework to, where applicable, fund and deliver municipal services based on the 'benefits principle' (those who benefit more from a product or service should pay more).

⁷ City of Calgary. (2010). Local Improvements
http://www.calgary.ca/portal/server.pt/gateway/PTARGS_0_0_784_203_0_43/http%3B/content.calgary.ca/CCA/City+Hall/Business+Units/Roads/Services+for+your+Neighbourhood/Local+Improvements.htm

⁸ City of Calgary. (2010). Local Improvements and Special Levies.
http://www.calgary.ca/portal/server.pt/gateway/PTARGS_0_0_784_203_0_43/http%3B/content.calgary.ca/CCA/City+Hall/Business+Units/Finance+and+Supply/Property+Tax/Local+Improvements+and+Special+Taxes.htm

5 Franchise fee reform: An equitable and engaging approach

The City of Calgary collects revenues from a number of sources including business and property taxes, grants, development charges and user fees. One of The City's more lucrative revenue sources is franchise fees. These fees represent approximately \$200 million, or eight per cent of annual operating revenues. They are the third most important revenue source behind property tax and sales of goods and services.⁹

Electricity and natural gas companies collect franchise fees from customers and remit this money to The City of Calgary in exchange for access to municipal rights-of-way and in lieu of municipal property taxes for linear properties. This charge is called the Local Access Fee on your electricity bill and the Municipal Franchise Fee on your natural gas statement.

Municipalities have the authority to levy franchise fees under the Municipal Government Act, as well as the discretion to decide their methodology for collection. Generally there are three models used:

- Total utility charge: based on the total delivery cost and value of the commodity.
- Distribution: based on the total delivery cost of the commodity.
- Volume: based on how much of the commodity is used.

In Calgary, franchise fees are charged on the total utility charge - not the more predictable distribution charge. This approach creates budgeting challenges. As commodity prices go up, revenues increase. However, this formula also works in reverse. When commodity prices go down, less revenue comes in. It is one of the reasons why The City of Calgary is struggling to balance its budget in 2011. Natural gas prices have plummeted in recent years, resulting in less franchise fee revenue for The City.

This challenge is similar to the Province of Alberta, which relies heavily on volatile resource revenues for approximately 30 per cent of operational spending. Due to wide variance between forecast and actual commodity prices, revenue budgeting is extremely difficult.

In The City's case, the value of the commodity bears no direct linkage to the cost of the right of way access. A more appropriate fee structure would be to link the fee to distribution costs.

⁹ City of Calgary. (2010). *Submission to the Standing Committee on Community Services*. June 15, 2010. Available online: <http://www.assembly.ab.ca/committees/communityservices/submissions/CS-B203/CS-B203-012.pdf>



This is a particularly important distinction because the fees are passed directly onto residents and businesses regardless of their ability to pay. In fact, The City's fee structure disproportionately impacts low-income residents, as franchise fees take a larger proportion of their income. Because electricity and heating are basic needs that are hard to substitute, individuals and businesses have little choice but to pay the fee.

Additionally, Calgarians are generally not aware that these fees exist or even why they are levied. Greater communication regarding how these fees are set and why they are levied would help Calgarians better understand their total municipal tax burden.

The Calgary Chamber of Commerce recommends that The City:

- Set franchise fees based on the total delivery cost of the service and exclude the value of the commodity from the calculation.
- Formally engage and communicate with the public to ensure Calgarians fully understand the policy rationale and costing formula of municipal franchise fees.



Governance measures

1 Focusing on the big picture: Reinventing the role of City Council

The decision to enter public office at the local level is not an easy one. The job presents tremendous opportunities to make a city, province or nation even greater. It requires devoting one's time and making many personal sacrifices to focus to the greater good.

At a local level, Calgarians run for Alderman to create an even greater city on behalf of all Calgarians. The Calgary Chamber of Commerce applauds those individuals that take on this role to serve their fellow citizens, for this job requires their hard work and dedication, a thick skin and a substantial amount of patience.

One of the greatest challenges for municipal governments, not only in Calgary but across the world, is to avoid getting bogged down in detail. What we truly seek from our municipal leaders is the focus on implementation of a vision and policy environment that will make Calgary an even greater place to live, work and play.

As an example, the July 5, 2010 meeting of Calgary City Council covered a wide range of complex and administrative issues. These included: winter tire regulations, the Centre City annual update, approval of 19 land use redesignations, innovations in the neighbourhood of Garrison Woods, concerns regarding a procurement audit, the downtown parking strategy review, fencing off-leash areas, excessive vehicle noise and confirming the 2011 Calgary police budget.

This agenda is an extensive list of items encompassing everything from routine administrative approvals, to city-wide strategic issues, to major annual budgetary items. Much of this information is presented to City Council members for the first time and, as a consequence, they are often forced to make quick decisions on key issues with limited information.

Given the amount of effort and pressure that goes with the job, it is important that we ensure that our elected officials' time is used wisely – so they can make the most informed decisions on the most important issues and leave the details and implementation to City staff. After all, it is the boards of directors of organizations that focus on the vision, strategies and policies, and the staff that implement and manage day-to-day affairs.

Ultimately, the Mayor and City Council struggle in the detail, not acting in the role that Calgarians wish they would – setting strategic direction.



There are numerous ways to help our City Council stay focused on their strategic and policy focused agendas to ensure we collectively give them the space to do so. We as Calgarians can utilize mechanisms such as 311 to direct our compliments and concerns and take advantage of the public forums and open houses that are created to solicit our input on major developments and investments in a structured way.

Perhaps the greatest opportunity for improvement in our municipal system is to look at the structure itself. Current Council meeting and decision-making structures actually work against Council in their efforts to make decisions in the context of their strategic city-wide priorities and approved budgetary constraints. The process also limits the ability of the Mayor, the only Council member elected at large, to implement a vision for the city on which they campaign.

Senior levels of government serve as an example of the type of structure that might be considered at a municipal level. Senior levels of government have an established system that enables government to address all of its important matters in the appropriate course of business.

For example, at the provincial level, the Executive Council, comprised of the Premier and Cabinet (comprised of government heads of Ministries), sets the strategic policy agenda, based on a rolling three-year planning process. Each Ministry's mandate and strategic objectives flow from this policy agenda, and this is the basis under which all annual government budget allocations are approved by Treasury Board. Standing Policy Committees (chaired by non-cabinet MLAs in the governing party) vet all Ministers' requests for new or amended policy and programs. After this, Cabinet must still approve new initiatives.¹⁰

The ensuing government policy and budget legislation is shepherded into the legislature through an Agenda and Priorities Committee. This process ensures the government maintains focus while still able to respond to emerging issues through the work of the Standing Policy Committees.

When it comes time to implement public policy, senior governments apply *Accountable Government Conventions*. These delineate the governing party's role as setting strategic policy direction,¹¹ and administration's role to implement the policy in a non-partisan manner.¹²

¹⁰ Cabinet Committees and the Decision Making Process. Heritage Community Foundation.

http://www.abheritage.ca/abpolitics/process/ex_council_decision.html

¹¹ Government of Canada. 2008. *Accountable Government: A Guide for Ministers and Ministers of State*.

http://pm.gc.ca/grfx/docs/guidemin_e.pdf Page v.

¹² Public Service Commission of Canada 2008. *Public Service Impartiality: Taking Stock*. <http://www.psc-cfp.gc.ca/plcy-pltq/rprt/impart/impart-eng.pdf>



These conventions, and supporting codes of conduct, are the primary reasons why provincial elected officials can't approach civil servants to advance specific interests in their constituencies. This is a good thing. It prevents administration from implementing policy based on the interests of a political party (or a single elected official) as opposed to the broader public interest. In a similar vein, administration is prevented from setting the policy agenda in the legislature – which is the legitimate role of elected officials.

The Calgary Chamber of Commerce recommends that The City:

- Structure Mayor and Council to be similar to an Executive Committee – one that sets the strategic priorities and policy direction for the city as a whole (the City of Ottawa has considered a similar model).
- Re-engineer and resource each Standing Committee to be similar to a Ministry that develops business plans and budgets to deliver on strategic priorities approved by Council, and provides an oversight function that ensures adequate service delivery and value for money.
 - Each Committee Chair would propose annual policy and program priorities and accompanying budgetary requirements for Council approval, based on Council's strategic priorities.
 - New priorities (and budget requests) outside the approved program would be presented by the Committee Chairs to Council for approval.
 - Council meetings would be more focused, as Committee Chairs would lead agenda items on behalf of Committees and only bring forward “big picture” and strategic items for discussion and approval.
- Develop an *Accountable Government Doctrine* and supporting codes of conduct that clearly define the role of elected officials as setting the policy direction, and the administration as objectively serving the government of the day, and implement the necessary changes accordingly.¹³

¹³ City of Toronto. Code of Conduct for Members of Council.



2 Independent financial advice: How audits help

Independent financial review and advice is beneficial. Both the provincial and federal levels of government and the business community have long recognized its value. Successful businesses, in their continual pursuit of profit and shareholder satisfaction and protection, frequently evaluate their spending profile, processes and product offerings to identify errors, cost savings and efficiencies. They engage independent consultants and auditors to complete the work.

Similarly, both the provincial and federal governments have well-established independent Auditor General Offices to evaluate expenditure decisions and make recommendations for improvement. These governments recognize that it never hurts to have an additional set of eyes when pursuing the public interest. The City of Ottawa has also recognized the value of independent expert financial advice through the creation of its own independent Office of Municipal Auditor.

Our city has not yet established an independent municipal Auditor. The City of Calgary's Auditor Office was originally established as a support role for administration in 2004. The Office was set up to be insular and keep its findings largely for internal use. It features an annual audit plan that is presented to and approved by the Audit Committee, an annual budget that must be approved by Council through the Audit Committee, and indirect reporting to Council through the Audit Committee. The Auditor can also be suspended or revoked by a simple majority vote of Council.

The Calgary Chamber of Commerce believes strongly in the value of having an internal auditor to work with administration, ensure compliance, identify efficiencies and improve processes. It also recognizes the critical importance of truly independent and objective oversight as a value-add to Council, administration, and especially, Calgary taxpayers. At present, the current structure poses a number of limitations in this regard and that full protection of both Council and taxpayer is not yet in place.

Potential improvements to the independence of the Auditor Office include:

- Greater discretion in the establishment of the audit plan;
- Creation of an office budget that is independent of Council approval;
- Automatic public disclosure of findings; and
- Strengthened requirements for removing the Auditor from office.



The Calgary Chamber of Commerce recommends the City to consider the following recommendations:

- Require a two-thirds majority vote for Council to suspend or terminate the Auditor.
- Enable the Auditor to establish the audit plan without Council or Audit Committee approval, but that Council may amend the plan with a two-thirds majority.
- Set the Auditor's budget to be a fixed proportion of total municipal expenditures, ensuring the Auditor continues to have sufficient resources, independent of Council decisions.
- Enable the Auditor to report to Council directly, rather than only to the Audit Committee, and notify the public of these reports, in order to raise the profile of the findings.