REPORT OF THE

STANDING COMMITTEE ON FISCAL ISSUES

DATED MARCH 20, 1998

Policy and Framework for Alternative Service Delivery File GL-5.6.1 (Vol. 1)

467 - 1. The Standing Committee on Fiscal Issues has been advised that on March 20, 1997, Council adopted the 1997 and 1998 Current Estimates which included the "*Reshaping Our Civic Government*" directive, containing strategic initiatives for contracting out, cost reductions, administrative restructuring, alternative service delivery and cost recoveries. Council directed that alternative service delivery options be explored for numerous areas of civic operations, including the options of contracting out operations, privatization, public/private initiatives and creation of Special Operating Agencies (SOAs).

At its meeting of April 16, 1997, Executive Policy Committee created a Task Force on SOAs, comprised of Councillor John Angus as Chairperson, Bob Gannon, Chief Financial Officer, and Gail Stephens, Chief Administrative Officer (then City Auditor) to examine SOAs and report to Executive Policy Committee on the implementation of SOAs in civic government.

On September 24, 1997, Council adopted Clause 3 of the Report of the Executive Policy Committee dated September 17, 1997, entitled "Special Operating Agencies Initiative", which provided for the strategic direction for the implementation of the SOA initiative, legislative amendment requests, a development and approval process, and a training and communications plan, and directed that the SOA Task Force develop a detailed framework design, to include:

- model operating charter;
- model delegated authorities schedule;
- model transfer, management, service and contribution agreements;
- model feasibility study terms of reference;
- advisory board terms of reference;
- business plan guidelines, including full-costing methodology;
- performance measurement guidelines;
- quarterly and annual report guidelines; and
- evaluation terms of reference.

Also at its meeting of September 24, 1997, Council received a report from the City Auditor, entitled "Best Practice Review of Frameworks for Alternative Service Delivery", which advised on ASD models used in the public sector, the current status of ASD in the City of Winnipeg and on best practice frameworks for ASD implementation. The City Auditor recommended:

> "*that the City review strategies, principles and criteria for the implementation of Alternative Service Delivery models in the City of Winnipeg and that Council adopt as policy an appropriate ASD framework. The framework should include a step-by-step decision-making process; criteria for selecting activities for ASD and in determining the appropriate ASD model; cost comparison and evaluation methods to be used; principles concerning staffing, training, communication, legal or other issues; and, procedures for monitoring and reporting on the performance of ASD models*."

At its meeting of October 20, 1997, the Audit Committee referred the ASD report to the SOA Task Force with instructions that the recommendations contained therein be incorporated into their framework document.

At its meeting of January 21, 1998, the Executive Policy Committee transferred the duties and responsibilities for Special Operating Agencies from the SOA/ASD Task Force to the Standing Committee on Fiscal Issues.

The objective of the policy is to set out a framework for the review of City services and delivery mechanisms on a case-by-case basis to determine and develop the most appropriate methods and structures for providing affordable, sustainable services. The ASD policy applies to all public and internal City services as identified by Council, on an annual basis.

In keeping with the recommendation of the City Auditor in her report "Best Practice Review of Frameworks for Alternative Service Delivery", the *"Policy and Framework for Alternative Service Delivery in the City of Winnipeg"* informational manual also defines a framework for the ASD review process and provides guiding principles for determining and developing service delivery options, to ensure a consistent approach to ASD decision-making.

The Standing Committee on Fiscal Issues recommends:

I. That Council adopt the following policy:

"The City of Winnipeg is committed to providing quality services at an affordable cost on a sustainable basis. To this end, the City will systematically review its programs, services, and delivery mechanisms, and will pursue the most appropriate methods and structures for providing services to achieve the best value for the municipal tax dollar and the optimal balance of overall benefits to the City and its Community."

and same be formally included in the new Policy and Procedure Manual once developed and approved by Council.

II. That the Chief Administrative Officer implement this policy and the process as identified in the *"Policy and Framework for Alternative Service Delivery in the City of Winnipeg"* manual, dated February, 1998, as developed by the SOA/ASD Task Force.

III. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

Moved by Councillor Angus,
Adoption of the clause.

Moved by Councillor Murray,
Seconded by Councillor Vandal,

WHEREAS transparency and public input is critical to the success of any Alternative Service Delivery initiative;

AND WHEREAS the model and financial structure of a service can facilitate or undermine the stated and implicit objectives of the services;

AND WHEREAS the role of the Standing Committees is to develop and review policy and service delivery;

BE IT RESOLVED that the Alternative Service Delivery (ASD) Policy and Framework be referred to the Community Committees for review and public input;

AND BE IT FURTHER RESOLVED that all ASD proposal undergo a policy review by the Standing Policy Committee responsible for the operating policies of the department or service involved. This review would include a policy audit to look at the success of council policy in this area of service delivery;

AND BE IT FURTHER RESOLVED that each Standing Policy Committee submit a priorities work plan for the development and review of policies under it's jurisdiction;

AND BE IT FURTHER RESOLVED that the City of Winnipeg adopt a bench marking system to evaluate the impact of City Government on the quality of life of our citizens and that every City department undergo an operational and policy review every five years by the responsible Standing Policy Committee. The goal of this review is to evaluate their success in achieving their mandate relative to established external "quality of life" bench marks.

The motion to refer the clause to Community and Standing Committees, with instructions, was put.

Councillor Murray called for the yeas and nays, which were as follows:-

Yea: Councillors Lazarenko, Lubosch, Murray, Thomas and Vandal. 5

Nay: Councillors Prystanski, Angus, O'Shaughnessy, Phillips, Silva, Steek, Timm-Rudolph, Deputy Mayor Eadie, Her Worship Mayor Thompson and Councillor Clement. 10

and the motion to refer the clause to Community and Standing Committees, with instructions, was declared lost.

The motion for the adoption of the clause was put.

At the request of Councillor Murray, Council considered the recommendations separately.

The first recommendation regarding the policy was put and declared carried.

Councillor Lazarenko asked to be recorded as having voted against the first recommendation, in accordance with Rule 50.7 of the Procedure By-law.

The second recommendation regarding the implementation was put.

Councillor Murray called for the yeas and nays, which were as follows:-

Yea: Councillors Prystanski, Angus, O'Shaughnessy, Phillips, Silva, Steek, Timm-Rudolph, Deputy Mayor Eadie, Her Worship Mayor Thompson and Councillor Clement. 10

Nay: Councillors Lazarenko, Lubosch, Murray, Thomas and Vandal. 5

and the second recommendation was declared carried.

The third recommendation that the proper officers do all things necessary was put and declared carried.

Downtown Heritage Conservation Tax Credit Program
Files G-3 (Vol. 8) [c/r G-3.1 (Vol. 6)]

468 - 2. On February 25, 1998, Council adopted Clause 4 of the Report of the Executive Policy Committee dated February 18, 1998, which established a program of property tax credits to encourage and assist in the renovation and improvement of designated structures in the City of Winnipeg, and further directed that the Standing Committee on Fiscal Issues develop criteria for a non-discretionary tax credit program with appropriate limits on funding and criteria for report back to Council.

Also it its meeting of February 25, 1998, Council adopted the Heritage Conservation Tax Credit By-law No. 7155/98, by which owners and long-term tenants who do a minimum $10,000 in authorized capital work on City-designated historical structures may be eligible for a municipal tax credit of up to 50% of the net private investment made in their projects. This credit may be used over a maximum 10-year period to reduce City property, business and/or amusement taxes applicable to the structure and its site. Initial plans call for the Business Liaison and Intergovernmental Affairs Department to process and analyze applications jointly with the Property and Development Services Department. City Council will approve or reject applications.

It is anticipated that the Heritage Conservation Tax Credit By-law will be used mainly to assist selected heritage building conservation projects that meet various strategic objectives as negotiated between applicants and the City.

The existing By-law sets out a number of criteria and conditions with which all applicants must comply. However, it also provides for some flexibility. For example, no cap is set on eligible project costs. The tax credit percentage is not fixed, but instead is defined as up to 50% of net private investment. Strategic objectives may, but are not required to, include geographic, vacancy rate or other similar criteria.

For reasons such as these, applications will be subjected to rigorous economic and impact analyses. As well, City Council will retain sole responsibility for authorizing or rejecting proposed projects.

It has been noted that some proposals may not be of a scale or complexity that would warrant such intense assessment and negotiation. The program outlined in this report would establish an efficient administrative alternative for accommodating a small number of such applications on a test basis provided specific geographic, vacancy and cost criteria are met.

The criteria would clearly limit the authority being delegated to the civic administration to implement the program. In most other respects, the criteria, scope of eligible work and administrative procedures would be identical or very similar to those contained in the Heritage Conservation Tax Credit By-law No. 7155/98. (*Some modifications are required to account for differences in program design - see Appendix "A" for details.*)

The maximum possible City exposure under the proposed program would be a $2.5 million tax credit liability spread over several years. The exact duration of the commitment and the annual amounts of tax expenditure will be determined by the following, namely:

- the amount of approved credits;
- the date the last credit takes effect;
- whether credits are used by recipients over the maximum 10 years specified or within shorter time periods; and
- whether recipients are able to use their credits in full.

The proposed program provides a Heritage Conservation Tax Credit option that gives priority to downtown buildings, especially those with high vacancy rates; has a clearly defined and delimited impact on the City's budget; and enables the administration to allocate tax credits for capital work that entails no more than $500,000 in eligible costs and meets all other program criteria and conditions.

The Standing Committee on Fiscal Issues recommends:

I. That pursuant to s.474(2) of The City of Winnipeg Act, Council adopt, by by-law, a tax credit program for buildings listed on the Buildings Conservation List in the downtown area, to be known as "The Downtown Heritage Conservation Tax Credit By-law".

II. That the proposed program offer up to $250,000 in relief on municipal property, business and/or amusement taxes for eligible capital work on a maximum 10 designated historical buildings in downtown Winnipeg.

III. That the proposed program be based on the following parameters:

i) It will be a two-year test program, with performance to be reviewed annually.

ii) Qualifying buildings must be located within the boundaries of the downtown as defined by the Downtown Winnipeg Zoning By-law No. 4800/88.

iii) The program will be limited to 10 City-designated buildings, five of which must have had a vacancy rate of at least 50% for six months prior to application.

iv) Proposed projects must entail a minimum $10,000 and maximum $500,000 in eligible work.

v) Only applications involving new repairs and improvements will be considered. Tax credits will not be granted retroactively for work done before an application has been made or appropriate City approvals have been given.

vi) Tax credits will be calculated on the basis of fifty per cent (50%) of the net private investment made in approved work (i.e., the amount of investment exclusive of any other government grants, credits and rebates). The maximum relief available from the program will be $250,000 per building.

vii) The initiative will be administered on a first-come, first-served basis by the Property and Development Services Department (Heritage Planner).

IV. That the detailed criteria and conditions as outlined in Appendix "A" be approved.

V. That the City Solicitor/Manager of Legal Services be requested to prepare the necessary by-law in accordance with the above.

VI. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related hereto.

Copy of attachment referred to in the above clause is on file in the office of the City Clerk.

Moved by Councillor Angus,
Adoption of the clause.

Carried.

Amendment to the Heritage Conservation Tax Credit By-law and the proposed Downtown Heritage Conservation Tax Credit Program
File G-3 (Vol. 8) [c/r G-3.1 (Vol. 6)]

469 - 3. On March 20, 1998, the Standing Committee on Fiscal Issues considered the following resolution, namely:

WHEREAS on February 26, 1998, City Council passed the Heritage Conservation Tax Credit By-Law No. 7155/98 which states that "Council desires to establish a program of property tax credits to encourage and assist in the renovation and improvement of designated structures in the City of Winnipeg";

AND WHEREAS in Subsection 3(2) of By-Law No. 7155/98 the tax credit is stated "to reduce City property, business and amusement taxes accruing to the designated structure and land upon which the structure is situated";

AND WHEREAS Subsection 4(2) of By-Law No. 7155/98 states that "non-building designated structures may be eligible for a tax credit under this by-law if it, or the uses to which it is put, are assessable for City property, business or amusement tax purposes";

AND WHEREAS under the Amusement Tax By-Law No. 3107/87, being a by-law which imposes a tax upon persons attending places of amusement states that "every person attending a place of amusement shall, upon his every attendance thereat whether he is admitted for cash, by regular ticket, season or other periodic ticket, pass, complimentary ticket or voluntary contribution or without the payment of any fee, charge or contribution, pay to the City for the raising of a revenue of the City, a tax in accordance with Schedule 'A'";

THEREFORE BE IT RESOLVED that as the amusement tax is not levied upon the owner or the long-term tenant of the property, the Heritage Conservation Tax Credit By-Law No. 7155/98 and the proposed Downtown Heritage Conservation Tax Credit Program be amended so that:

1. Amusement taxes are excluded from the municipal taxes that the tax credit can be applied against;

2. The tax credit only be applicable to:

a) the municipal portion of property tax;
b) the business tax, where the business tax is levied on owner-occupied buildings and/or long term tenants.

and submits same to Executive Policy Committee and Council without recommendation.

The Executive Policy Committee recommends that Item 1. as noted above be deleted and replaced with the following:

"1. That the amusement tax may only be redeemed for buildings that are not currently in use at the date of approval of third reading of the Heritage Conservation Tax Credit By-law."

Moved by Councillor Angus,

That the recommendation of the Executive Policy Committee be adopted.

The Speaker called the Deputy Speaker, Councillor Prystanski, to the Chair in order to participate in the debate, and after speaking, resumed the Chair.

The recommendation of the Executive Policy Committee was put.

Councillor Murray called for the yeas and nays, which were as follows:-

Yea: Councillors Angus, Lazarenko, O'Shaughnessy, Phillips, Silva, Steek, Timm-Rudolph, Deputy Mayor Eadie, Her Worship Mayor Thompson and Councillor Clement. 10

Nay: Councillors Prystanski, Lubosch, Murray, Thomas and Vandal. 5

and the recommendation of the Executive Policy Committee was declared carried.

Policy on Unused Borrowing Authority for Financing of Capital Projects
File FC-2 (Vol. 18)

470 - 4. On March 20, 1998, the Standing Committee on Fiscal Issues passed the following motion, namely:

WHEREAS Section 282 of The City of Winnipeg Act provides, in part, as follows:

282(1) Subject to approval of the Minister of Finance as hereinafter provided, Council may pass by-laws for the borrowing of money for the purposes of the City, on the credit of the City by the issue and sale of debentures without submitting them for the approval of the ratepayers.

282(3) The initial borrowing by-law shall specify the principal amount of the debentures to be issued and in brief and general terms the objects for which the monies borrowed on the security of the debentures are to be borrowed; but it is not necessary, in the initial borrowing by-law, to specify the particulars of the debentures, or the rate of interest payable thereon, or the term within which the debentures are payable, or any other particulars of the debentures.

AND WHEREAS at times variances occur, as monies authorized to be borrowed under the said initial borrowing by-laws may not be required for the purposes specified in those by-laws due to cancellation of the project or completion under budget;

AND WHEREAS the City, to better project future debt and finance charges and measure the afford ability of capital expenditures has adopted in 1997 the use of cash flow projections which takes into account all variances on capital projects;

THEREFORE BE IT RESOLVED that when considering any new capital project, Unused Borrowing Authority not be used as a source of funding or financing.

and submits same to Council for approval, and inclusion in the new Policy and Procedure Manual once developed and approved by Council.

Moved by Councillor Angus,
Adoption of the clause.

Carried.

Revised Schedule of Meetings for the Standing Committee on Fiscal Issues
File GC-4 (Vol. 25)

471 - 5. On March 20, 1998, the Standing Committee on Fiscal Issues proposed the following changes to its 1998 Schedule of Meetings, namely:

EXISTING	PROPOSED
Monday 9:00 a.m.	Monday 1:00 p.m.
April 6	*April 20*
May 4	**Tuesday May 19*
June 1	*June 15*
June 29	*July 13*
* Thursday August 27 (PM)	*August 31*
*Thursday September 10 (AM)	**Tuesday September 22*
November 9	*November 16*
November 30	*December 7*

(* *denotes change in day of week*)

and submits same to Council for approval.

Moved by Councillor Angus,
Adoption of the clause.

Carried.

STANDING COMMITTEE ON FISCAL ISSUES

QUESTION PERIOD

472 - Councillor Murray questioned how, after the budget had been passed with specific staffing levels identified for 1997 and 1998, the Assessment Department was short 48 staff persons.

Councillor Angus advised that he had requested that the City Assessor provide information to all Members of Council on the things that were suggested and spoken about at the recent Assessment seminar. Councillor Angus noted that two major problems where additional resources may be required had been identified; first for the inspection of properties in order to produce a more accurate and fair assessment roll, and secondly to further speed up the pace of hearing Municipal Board appeals in order to reduce the cost due to the interest and future years tax refund associated with these appeals. He further advised that a business plan was being prepared in order to determine whether these initiatives should be funded. In addition, it was believed that based on current information there is enough flexibility in both the current years tax refund budget and the provision for assessment appeal liabilities which had been set up in prior years to provide the necessary 1998 funding to support the elements of the plan that make financial sense. He further advised that these were term positions and that this matter was not a 1998 Departmental budget issue.

Standing Committee on Fiscal Issues - Question Period (continued)

Councillor Murray stated that there was no reference in the 1998 budget to full-time or part-time equivalencies. He advised that he had asked the Assessment Department if staff levels had been raised and was told that they had been turned down at Vacancy Management Committee, and that there was a reduction in staffing levels. Councillor Murray questioned how a budget was developed when there was no allotment for staff; term, temporary or permanent?

Councillor Angus noted that in the last year, all of the Vacancy Management requests from the Assessment Department had been approved, except for three positions. A total of 40 positions were approved for filling. He advised that the requirements of the business plan would be accommodated with temporary people and that it was not a 1998 Departmental budget issue.

Councillor Murray questioned what the staffing levels in the Assessment Department were and if these levels were sufficient to deliver the assessment roll.

Councillor Angus noted that the assessment roll had been finalized and that a business plan was being prepared that would identify solutions to Councillor Murray's questions. He further quoted the Chief Financial Officer in noting that "it is not anticipated that a major portion of this funding will be required in 1998, and that the current 1998 budget for the Assessment Department should be adequate".

Councillor Silva questioned if the appeal work for the 1998 assessment appeals at the Board of Revision had been completed.

Councillor Angus advised that all the appeals have been heard and that the rolls had been closed and that this marked the first time in memory of accomplishing this.

Councillor Silva questioned when this was last accomplished by the Board of Revision.

Councillor Angus acknowledged that he was uncertain of the actual number of years, but credited the Assessment Department with the good work they were doing by getting a camera system, a computer system and in delivering the assessment notices a month earlier this year than last.

Councillor Silva referred to assessment concerns articulated by the media and questioned if the Executive Policy Committee was aware of the issue and whether it was acknowledged in the 1998 budget and Executive Policy Committee's deliberations in terms of making budget recommendations to Council.

Councillor Angus replied in the affirmative, noting the fiscal stabilization mill rate reserve, the provision for assessment appeal liabilities, and the allowance to expedite appeal hearings which had been set up in 1997.

Councillor Thomas questioned what was going to be done with the shortage of assessors and support staff.

Councillor Angus advised that the money was there for the City Assessor and that he will identify requirements in the business plan when it is brought forward.

Councillor Thomas questioned where the money was.

The Speaker noted the time for question period had run out and that the reply to the question would be taken under advisement.