



SAVE Program – Reserves Optimization

On 2019 November 29, Council directed the Solutions for Achieving Value and Excellence (SAVE) program¹ “to identify the strategies and tactics to reduce the responsibility of taxpayers for the remainder of the One Calgary cycle including...target new or improved revenue streams...”. Preliminary results and actions are due to be presented to the Priorities and Finance Committee on 8 September 2020 to inform November 2020 budget deliberations.

With the first phase of SAVE’s work – identifying a sufficient volume of opportunities to realize the targets – coming to a close, some priority recommendations need to be accelerated in order to meet SAVE’s timelines.

One opportunity that the Administrative Leadership Team (ALT) has approved for further investigation is the optimization of Financial Reserves, with the intention of determining if the current structure of reserves is optimal, and if there are opportunities to reduce contributions to reserves from operating budgets or tax revenues without negatively impacting The City’s operations or stability. In order to conduct a thorough investigation, liaise with impacted business units, and prepare a business case to present to the PFC and Council in the fall, the SAVE team will need to work with Corporate Financial Reporting as the subject matter experts on reserves. Given the complexity of The City’s reserves policies and operations, to properly conduct this work and assess impacts on operations and risk, the development of the business case will require a significant amount of time and resources from Corporate Financial Reporting and impacted business units. Further, the recommendations of the SAVE program on Financial Reserves could have a significant impact on the number and scope of reserves The City utilizes.

Under Council Policy CFO013 section 1.4 “Periodic review of a reserve (Triennial Reserve process),” Corporate Financial Reporting produces a report to PFC and Council in December of each year, the preparation of which requires a substantial amount of time and effort. The same Council Policy outlines the review process, which requires that every active reserve be reviewed at least once every three years. The purpose of the Triennial Review process is to ensure that:

- i. Reserve activity meets all authorizing documents requirements;
- ii. Reserve activity is in accordance with City reserve policies and procedures;
- iii. The reserve’s purpose, conditions and/or restrictions are still relevant; and
- iv. The reserve is still required in its current form.

In 2020, the Triennial Review is scheduled to review 15 reserves with a cumulative balance of over \$800 million and 3 reserves for follow-up totaling approximately \$203 million as of the end of 2018 as approved in PFC2019-1385. Given the volume and nature of the work required for the Triennial Review and the alignment with the planned SAVE review of Financial Reserves, it is recommended that the PFC recommend that Council suspend the Triennial Review and redirect that effort towards the SAVE Program. This redirection of work has been recommended by the Administration Leadership Team and requested through Administration Recommendation 2.

Once the outcomes of the SAVE Program review of Financial Reserves are known, it is proposed that Administration returns to PFC and Council with a recommendation for a new scope of work for the Triennial Review, that takes into account any changes to the number, structure, or scope of Financial Reserves. This request is represented through Administration Recommendation 3.

¹ Known at that time as the Strategy for Improving Service Value (SISV).