

The City of Calgary Reserves and Long Term Liabilities Balances 2020

RECOMMENDATION(S):

The Priorities and Finance Committee recommends that Council:

1. Receive The City of Calgary Reserves and Long Term Liabilities Balances 2020 for the Corporate Record and Discussion; and
2. Approve the operational reserve recommendations in Attachment 3 from the SAVE Reserves Optimization Business Case approved by the Executive Leadership Team (ELT).

HIGHLIGHTS

- This report is presented in accordance with the requirements contained within Council Policy on Reserves CFO013 and provides financial information on The City of Calgary's (The City) reserves and long term liabilities balances as at 2020 December 31 and highlights the accountability systems with respect to The City's reserves established by Administration and in operation in 2020. This report supplements the information on reserves balances and disclosures contained in The City's annual financial statements.
- Business Units, through their designated Operational Leads and Financial Leads, are responsible for ensuring that the reserve funds are being used in accordance with the approved terms for the reserve, are recorded and reported in accordance with established practices and comply with the documentation standards defined within the Administration Policy and Procedures. This annual report on reserves is compiled by Corporate Financial Reporting in accordance with Administration's Policy and Procedures on financial reserves from these business unit's reports and documentation on reserves.
- The City of Calgary Reserves and Long Term Liabilities Balances 2020 report is provided for information to contribute to support the Priorities and Finance Committee and Council in fulfilling their governance responsibilities. Robust public information on reserves and long term liabilities is essential to ensure public confidence and fulfill the public's need for transparency and accountability.
- The 2020 SAVE Reserves Optimization Business Case approved by the ELT included operational reserve recommendations. As per Council Reserve Policy (CFO013), all reserve amendments require Council approval. The operational reserve recommendations for Council approval are outlined in Attachment 3.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Financial Reserves Policy FA-050 and the accompanying Procedures for Financial Reserves define the roles and responsibilities of all parties associated with administering financial reserves. Corporate Financial Reporting within the Finance business unit is responsible for ensuring that the reserve balances are accurately reported in The City's annual financial statements and in Attachment 2.

The City's reserves total \$3,066 million at 2020 December 31 (2019: \$2,737 million) and consist of operating, capital and sustainment reserves. The City had capital commitments of \$1,462

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million and operating commitments of \$61 million at 2020 December 31 as reported in Note 28 in The City's annual financial statements. These commitments will be partially funded from reserves in future years.

A summary of definition of these reserves categories and information on reserves within these categories at 2020 December 31 is as follows:

- **Operating reserve** – A reserve to fund operating expenditures for one-time projects, pilot programs, to stabilize operating budgets for unanticipated fluctuations in revenues or expenditures, to comply with a contractual agreement, or for contingency funds for operational emergencies. There are 16 operating reserves totalling \$715 million, of which \$638 million is held in the Fiscal Stability Reserve as an operating contingency fund and to provide for one-time funding as approved by Council.
- **Capital reserve** – A reserve to fund approved capital programs, projects and expenditures. There are 15 capital reserves totalling \$1,465 million and a majority of them are either fully committed or have substantial commitments against them to finance existing approved projects and these commitments will reduce the existing balances over time.
- **Sustainment reserve** – A reserve to fund both operating and capital expenditures for activities that are treated as self-sustaining. A total of \$886 million is held in 17 separate sustainment reserves, of which the majority of them are either fully committed or have substantial commitments to finance existing approved projects and these commitments will reduce the existing balances over time.

Attachment 2 The City of Calgary Reserves and Long Term Liabilities Balances 2020 provides detailed financial information on the reserves at The City and includes the reserves terms and financial details for reach individual reserve as an appendix. Attachment 2 also identifies reserves closed within the last five years.

The 2020 SAVE Reserves Optimization Business Case included operational recommendations that require amendments to certain reserves. These operational recommendations are outlined in Attachment 3. As per Council Reserve Policy (CFO013), all reserve amendments must be approved by Council. Approval of these operational recommendations will improve the administration and transparency of reserves. Attachment 3 also includes excerpts from the 2020 SAVE Reserves Optimization Business Case approved by ELT that provides context for these recommendations.

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

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IMPLICATIONS

Social, Environmental, Economic

Certain reserves support social programs, which assist in The City providing such services. Certain reserves support environmental programs and compliance with environmental regulations.

Service and Financial Implications

Current and Future Operating Budget:

Certain reserves support operating programs which assist The City in providing services. There is no current or future operating budget request as a result of this report.

Current and Future Capital Budget:

Certain Reserves support capital programs and capital commitments which assist The City in providing capital assets. There is no current or future capital budget request as a result of this report.

RISK

Administration manages The City's reserves in accordance with the reserve's purpose and any or all conditions and/or restrictions placed upon the reserve by Council. Administration also ensures that reserves continue to be aligned with Council's priorities. The reporting of reserves activity and balances in this report seek to demonstrate the proper management of reserves.

Maintaining adequate liquidity provides financial capacity and enables The City to respond quickly and effectively to shortfalls and unanticipated or uncontrollable events, improving corporate resiliency and reducing the risk that service levels might be adversely affected by economic trends and unforeseen circumstances. Strong reserves preserve Council and Administration's flexibility, and the vital role they play in preserving The City's fiscal stability is recognized by our credit rating agencies.

ATTACHMENT(S)

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - The City of Calgary Reserves and Long Term Liabilities Balances 2020 Plus Appendix
3. Attachment 3 - SAVE Reserves Optimization Business Case - Operational Reserve Recommendations Approved by ELT in 2020

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer's Department	Approve