

# Background

The creation of a portfolio of financial reserves and the optimal funding and judicious management of these reserve funds is part of the long-term fiscal strategy at The City. Reserves are used to accumulate funds over time to replace capital assets, to provide a measure of financial flexibility to react to budget shortfalls and to manage the financial impact of significant unexpected issues in a timely manner. The City has a balanced approach to the planning and use of reserves and has an established policy framework in place for guiding the responsible stewardship of reserves and to ensure that these funds are managed prudently.

Council Policy on Reserves CFO013 was updated in 2010, with minor amendments in 2016 and the Administration Policy on Financial Reserves FA-050 was created in 2010, with minor revisions in 2016, and these policies reinforced and enhanced the annual reporting requirements on reserves. This report supplements the information on reserves balances and disclosures contained in The City's annual financial statements and is compiled by Corporate Financial Reporting within the Finance business unit in accordance with reserves policies and procedures.

Council Policy on Reserves CFO013 also defines the requirements for the periodic review of all reserves as part of the Triennial Review process. Administration Policy on Financial Reserves FA-050 defines the purpose of the review, which is to ensure that reserves are being managed properly and to evaluate the continued relevance of individual reserves. Every active reserve will be reviewed at least once every three years. The Administrative Review Committee is tasked with providing a report on the results of its review of the Council approved reserves to the Priorities and Finance Committee by the end of each year.

In 2020 July, Council approved the suspension of the 2020 Triennial Reserve Review (review of 2019 reserve balances) and the redirection of Administration resources in an alternate work scope, as recommended by the Executive Leadership Team (ELT), to the SAVE Program - Reserves Optimization review (PFC2020-0723). The SAVE Reserves Optimization review was completed in 2020 and the business case recommendations were approved by ELT. Subsequently Council was provided with only the budget savings recommendations and approved them through the November 2020 Mid-Cycle Adjustments to the One Calgary 2019-2022 Service Plans and Budgets (C2020-1215). The SAVE Reserves Optimization Business Case also included operational recommendations that require Council approval and are outlined in Attachment 3.

The 2020 SAVE Reserves Optimization Business Case also recommended additional reserve reviews to be conducted. In 2021 April, Council approved the suspension of the 2021 Triennial Reserve Review (review of 2020 reserve balances) and redirection of Administration resources to these additional reserve reviews (C2021-0446). A reserves review governance structure is currently being established for these reviews.

## Previous Council Direction

---

As per the direction in Council Policy CFO013, Reserves information shall be reported to the Priorities and Finance Committee (PFC) and to Council in an annual Reserves Report for information purposes.

In 2020 July, Council approved the suspension of the 2020 Triennial Reserve Review (review of 2019 reserve balances) and the redirection of Administration resources in an alternate work scope, as recommended by the ELT, to the SAVE Program - Reserves Optimization review (PFC2020-0723).

In 2021 April, Council approved the suspension of the 2021 Triennial Reserve Review (review of 2020 reserve balances) and redirection of Administration resources to additional reserve reviews as a result of the 2020 SAVE Reserves Optimization Business Case recommendations (C2021-0446).