

Chief Financial Officer's Report to
Executive Committee
2022 September 29

ISC: UNRESTRICTED
EC2022-0815
Page 1 of 4

The City of Calgary Reserves and Long-Term Liabilities Balances 2021

RECOMMENDATIONS:

That the Executive Committee recommend that Council:

1. Approve the list of reserves to be reviewed in the 2022 Triennial Reserve Review as outlined in Attachment 3, per Council approved policy CFO013;
2. Approve the deferral of the 2022 Triennial Reserve Review report to the Executive Committee from December 2022 to June 2023; and
3. Forward this report to the 2022 October 4 Combined Meeting of Council as a matter of urgent business.

RECOMMENDATIONS OF THE EXECUTIVE COMMITTEE, 2022 SEPTEMBER 29:

That Council:

1. Approve the list of reserves to be reviewed in the 2022 Triennial Reserve Review as outlined in Attachment 3, per Council approved policy CFO013; and
2. Approve the deferral of the 2022 Triennial Reserve Review report to the Executive Committee from December 2022 to June 2023.

HIGHLIGHTS

- The City's sound financial management practices continue to position Calgary in a strong financial situation. Low property tax rates compared to other major Canadian cities, manageable debt and AA+ and AA (high) credit ratings from two globally recognized rating agencies assures Calgarians that we manage our finances well.
- The City has a balanced approach to the planning and use of reserves and an established policy framework for guiding responsible stewardship. Reserve growth can occur because of timing differences between when funds are available and when they are spent.
- Reserves are part of sound financial management that allows funds to be spent carefully over time or to ensure service levels are maintained should unexpected events or revenue fluctuations occur. During 2021, reserves were used to maintain and upgrade City assets, support new infrastructure projects, provide COVID relief programs and partially fund Council's approved operating budget.
- As of 2021 December 31, The City had an uncommitted reserve balance of \$1,257 million. After year-end, an additional \$25 million of reserve funding was committed to fund investments in the community. The remaining balance of \$1,232 million is available within the defined purpose, conditions and restrictions of each reserve for Councils' use and direction as part of November's Service Plans and Budgets.

The City of Calgary Reserves and Long-Term Liabilities Balances 2021

Operating Reserves \$971 million	Net Commitments \$534 million	Remaining Balance \$437 million	Projects include (but are not limited to): <ul style="list-style-type: none"> Enhancing investment in affordable housing (C2021-0436) Advancing Stream B of White Goose Flying (C2021-0436)
Capital Reserves \$1,621 million	Net Commitments \$1,175 million	Remaining Balance \$446 million	Projects include (but are not limited to): <ul style="list-style-type: none"> Green Line LRT BMO Centre expansion project (C2019-0349) Arts Common Transformation (C2021-1372)
Sustainment Reserves \$876 million	Net Commitments \$502 million	Remaining Balance \$374 million	Projects include (but are not limited to): <ul style="list-style-type: none"> Aurora Business Park land development project Great Plains Starfield land development project Midfield Heights land development project

- **What does this mean to Calgarians?** The City's prudent financial management practices ensure reserves are available to provide financial flexibility to respond to budget shortfalls and manage unexpected issues.
- **Why does this matter?** Reserves support a well-run city by enabling The City to make the necessary investments in the community. Robust public information on reserves and long-term liabilities is essential to ensure public confidence and support transparency and accountability.
- 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 \$3,468 million at 2021 December 31 (2020: \$3,066 million) and consist of operating, capital and sustainment reserves. A summary of definition of these reserves categories and information on reserves within these categories at 2021 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 \$971 million, of which \$875 million is held in the Fiscal Stability and Operating Budget Savings Account Merged Reserve as an operating contingency and cashflow 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 \$1,621 million and most of them are

The City of Calgary Reserves and Long-Term Liabilities Balances 2021

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 \$876 million is held in 17 separate sustainment reserves, of which most 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 2021, provides detailed financial information on the reserves at The City and includes the reserves terms and financial details for each individual reserve as an appendix.

Attachment 3 includes the list of reserves to be reviewed in the Triennial Reserve Review. This list was determined using several criteria including:

- Recency of review (Triennial Reserve Review and Solutions for Achieving Value and Excellence Financial Reserves Optimization Review);
- Significant dollar change over prior years;
- Approximately one-third of The City's dollar value of reserves;
- Reserves with Triennial Reserve Review follow-up recommendations; and
- Balancing of business unit resources capacity.

Council Policy CFO013 requires that by the end of each year a report on the results of the Triennial Reserve Review is provided to the Executive committee for its review and then forwarded to Council for its approval. Administration is currently experiencing resource capacity constraints, timeline compression and associated review scheduling issues. As a result, the Administrative Review Committee for the Triennial Reserve Review is recommending a deferral of the Triennial Reserve Review report to the Executive Committee, from December 2022 to June 2023. The deferral of the report requires Council approval.

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

IMPLICATIONS

Social, Environmental and Economic

Certain reserves support social programs, which assist in The City providing such services. As detailed in The Report, some of The City's reserves support environmental programs and compliance with environmental regulations.

Service and Financial Implications

Chief Financial Officer's Report to
Executive Committee
2022 September 29

ISC: UNRESTRICTED
EC2022-0815
Page 4 of 4

The City of Calgary Reserves and Long-Term Liabilities Balances 2021

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.

ATTACHMENTS

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - The City of Calgary Reserves and Long-Term Liabilities Balances 2021
3. Attachment 3 - Reserves to be Reviewed in the 2022 Triennial Reserve Review
4. Attachment 4 - Presentation – The City of Calgary Reserves and Long-Term Liabilities Balances 2021

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Corporate Planning and Financial Services	Approve