

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 Executive Committee (formerly Priorities and Finance Committee) by the end of each year.

The 2020 and 2021 Triennial Reserve Reviews were suspended with Council approval (PFC2020-0723 and C2021-0446) and alternate procedures were performed to review reserves as part of The City's SAVE (Solutions for Achieving Value and Excellence) program. The SAVE Financial Reserves Optimization review included twelve reserves totaling \$1,549 million. This reserves review identified total ongoing base budget savings of \$20 million for 2022 and onwards and one-time savings of \$14.4 million in 2021 and \$8.5 million in 2022. In addition, several operational recommendations were made to improve the transparency and administration of reserves.

Previous Council Direction

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

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).

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).