

## General Reserve Review Comments and Recommendations

During the Triennial Reserve review, there were several general observations with recommendations for Council approval as outlined below.

### **Budget Modernization Principles for Reserves for Tax Supported Areas**

The Administrative Review Committee (ARC) requested the Corporate Budget Office to identify principles for reserves for tax supported areas as part of the Budget Modernization implementation project.

#### **Recommendation**

Approve that the reserve strategy for The City be reviewed as part of the Budget Modernization implementation project including the development, review, and approval of clear principles for reserves for tax supported areas.

### **Allocation of Investment Income**

During the review, there was a request from a Reserve Owner to allocate investment income to their sustainment reserve.

The Administrative Review Committee (ARC) reviewed existing sustainment reserves that receive investment income against the established criteria for allocation of investment income. The criteria, per the Procedures for Financial Reserves, on the allocation of investment income are as follows:

#### *7.2 Investment Income*

*7.2.1 Reserves meeting specific criteria shall earn and retain investment income. The criteria required for a reserve to earn investment income are:*

- a. Endowment funds contributed to the reserve,*
- b. Legacy funds contributed to a reserve, including funds transferred from a closed reserve that earned investment income,*
- c. Funds where external agreements specify investment income will be earned; or*
- d. Specifically mandated to earn investment income by Council.*

Investment income was determined to be commonly provided for sustainment reserves pertaining to self-supporting Business Units. However, this is not one of the established criteria in the Procedures for Financial Reserves; the majority of investment income is allocated according to direct Council approval rather than a specific principle.

The Committee declined to recommend the allocation of investment income to the sustainment reserve at this time and requested that the 2024 Triennial Reserves Review contain a formal review and analysis of the allocation of investment income to sustainment reserves.

#### **Recommendation**

Include the review of all sustainment reserves earning investment income in the 2024 Triennial Reserve Review