

2022 Triennial Reserve Review

RECOMMENDATION:

That the Executive Committee recommends that Council approve:

1. Specific reserve recommendations as outlined in Attachment 3 (in the *Recommendations(s) for Approval* column) and Attachment 4 (changes in red);
2. General reserve recommendations in Attachment 5; and
3. The list of reserves to be reviewed in the 2023 Triennial Reserve Review in Attachment 6.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2023 JUNE 1:

That Council approve:

1. Specific reserve recommendations as outlined in Attachment 3 (in the *Recommendations(s) for Approval* column) and Attachment 4 (changes in red);
2. General reserve recommendations in Attachment 5; and
3. The list of reserves to be reviewed in the 2023 Triennial Reserve Review in Attachment 6.

Excerpt from the Minutes of the 2023 June 1 Regular Meeting of the Executive Committee:

"A clerical correction was noted on page 1 of the Cover Report of Report EC2023-0466, under the "Discussion" heading, in the second paragraph, by deleting the words "Director Water Services" and by substituting with the words "Director Capital Priorities and Investment"."

HIGHLIGHTS

- The City has a balanced approach to the planning and use of reserves and an established policy framework for guiding responsible stewardship. Reserves are part of sound financial management that enables The City to spend carefully over time and to ensure service levels are maintained should unexpected events or revenue fluctuations occur.
- This report is presented in accordance with the requirements contained within Council Policy CFO013 Financial Reserves which outlines a Triennial Reserve Review (TRR) process requiring that every active reserve be reviewed at least once every three years. The TRR process evaluates whether reserves are being properly managed and are still relevant.
- The 2022 TRR review findings and recommendations are outlined in Attachments 3 to 5 and require Council's approval.
- Reserves to be reviewed in the 2023 TRR are listed in Attachment 6, and also require Council approval.
- **What does this mean to Calgarians?** Overall, the 2022 TRR concluded that the reserves reviewed were properly managed, in accordance with reserve terms and conditions and City policies, and that these reserves are still relevant.
- **Why does this matter?** Reserves support a well-run city by enabling The City to make necessary investments in the community. Regular reviews on the management and relevance of reserves are essential to ensure public confidence and support transparency and accountability.
- Background and Previous Council Direction is included as Attachment 1.

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DISCUSSION

- The purpose of the Triennial Reserve Review (TRR) is to ensure that:
 - i. Reserve activity meets all authorizing document requirements;
 - ii. Reserve activity is in accordance with City reserve policies and procedures;
 - iii. The reserve's purpose, conditions and/or restrictions are still relevant; and
 - iv. The reserve is still required in its current form.
- The TRR was conducted by an Administrative Review Committee comprised of:
 - The Chief Financial Officer;
 - General Manager Operational Services;
 - Director **Capital Priorities and Investment**;
 - Finance Manager, Corporate Financial Reporting; and
 - Finance Manager, Corporate Budget Office.
- 19 reserves, totaling \$1.2B at 2021 December 31, were included in the 2022 TRR as previously approved by Council (EC2022-0815). The TRR review period covered 2020 and 2021.
- Overall, the 2022 TRR concluded that the reserves reviewed were properly managed, in accordance with reserve terms and conditions and City policies, and that these reserves are still relevant.
 - The overall TRR results, assessed against the purpose of the review, are included in Attachment 2.
 - Attachment 3 includes review comments and recommendations for each reserve. Recommendations include substantive changes, clerical changes, process improvements, and follow-up items. The *Recommendation (s) for Approval* column of Attachment 3 requires Council approval.
 - Substantive changes pertain to changes to the reserve's purpose, conditions, restrictions, or funding sources. Clerical changes relate to presentation changes that will increase the clarity and understanding of the reserve template and provide additional transparency.
 - 8 reserves have substantive changes recommended, 11 reserves have clerical changes recommended, 10 reserves require follow-up in future TRRs, and 4 reserves have process improvement recommendations.
 - Attachment 4 shows changes to the reserve templates (in red) as a result of the recommendations from Attachment 3.
 - The TRR also identified general reserve recommendations, outlined in Attachment 5, for the establishment of reserve budget principles as part of the Budget Modernization implementation project and the review of the allocation of investment income for sustainment reserves.
- Attachment 6 includes the list of reserves to be reviewed in the 2023 TRR. This list was determined using several criteria, including:

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- Recency of review (TRR and Solutions for Achieving Value and Excellence Financial Reserves Optimization Review);
- Significant dollar balance 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.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| ☐ Public engagement was undertaken | ☐ Dialogue with interested parties was undertaken |
| ☐ Public/interested parties were informed | ☒ Public communication or engagement was not required |

IMPLICATIONS

Social

Certain reserves in this report support social programs, which assist in The City providing such services.

Environmental

The Waste and Recycling Sustainment Reserve supports environmental programs and compliance with environmental regulations.

Economic

Reserves provide The City with the financial flexibility to react in a timely manner to the financial impacts of budget shortfalls and to manage unexpected issues. A properly balanced approach to the planning and use of reserves is considered good financial management and is a key component of The City of Calgary's strong credit rating.

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.

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RISK

Administration manages The City's reserves in accordance with each 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 Triennial Reserve Review process demonstrates The City's commitment to prudent financial management of reserves.

Maintaining adequate liquidity provides financial capacity and enables The City to respond quickly and effectively to any budget 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 – Background and Previous Council Direction
2. Attachment 2 - Overall Triennial Reserve Review Results
3. Attachment 3 - Specific Reserve Review Comments and Recommendations
4. Attachment 4 - Relevant Excerpts from the 2021 Annual Reserve Report
5. Attachment 5 - General Reserve Review Comments and Recommendations
6. Attachment 6 - Reserves to be Reviewed in the 2023 Triennial Reserve Review
7. Attachment 7 - Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor, Acting General Manager, CPFS	Corporate Planning and Financial Services	Approve