

Corporate Planning & Financial Services Report
Executive Committee
2023 December 06

ISC: UNRESTRICTED
EC2023-1211

2023 Triennial Reserve Review Report

PURPOSE

This report presents the results of the 2023 Triennial Reserve Review along with recommended changes to reserves and the list of reserves to be reviewed in the 2024 Triennial Reserve Review.

PREVIOUS COUNCIL DIRECTION

The City Auditor's Office completed an audit of The City's Financial Reserves in 2009. The FCS2010-01 (AC2009-74) report dated 2010 January 18, detailed the recommendations of the audit and Administration's response and work plan to address the recommendations. One of Administration's responses was to create a Triennial Reserve Review process in which every reserve will be reviewed at least once every three years. Refer to Attachment 1 for further information on the Triennial Reserve Review program.

RECOMMENDATIONS:

That the Executive Committee:

1. Recommends that Council approve:
 - i. Reserve recommendations as outlined in Attachment 3 (in the *Recommendations(s) for Approval* column) and Attachment 4 (changes in red); and
 - ii. The list of reserves to be reviewed in the 2024 Triennial Reserve Review in Attachment 5.
2. Forward report EC2023-1211 to the 2023 December 12 Regular Meeting of Council for approval.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

The Chief Financial Officer and General Manager Corporate Planning & Financial Services concurs with this report.

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.

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- The 2023 TRR review findings and recommendations are outlined in Attachments 3 and 4 and require Council's approval.
- Reserves to be reviewed in the 2024 TRR are listed in Attachment 5 and also require Council approval.
- **What does this mean to Calgarians?** Overall, the 2023 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.

DISCUSSION

- Overall, the 2023 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.
 - 7 reserves have substantive changes recommended, 13 reserves have clerical changes recommended, 7 reserves require follow-up in future TRRs, 2 reserves require follow-up by other areas, and 2 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 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.

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- 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.
- 16 reserves, totaling approximately \$1.405 billion, and one reserve follow-up totaling approximately \$103.5 million at 2022 December 31, were included in the 2023 TRR as previously approved by Council (EC2023-0466). The TRR review period covered transactions in 2021 and 2022.
- Attachment 5 includes the list of reserves to be reviewed in the 2024 TRR. The three-year reserve review schedule was created in 2022 using several criteria, including:
 - 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.
- As enterprise-wide capital planning continues, a financial framework will be developed, including reserves. This work will progress in 2024.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> 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

Not applicable.

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.

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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.

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. Previous Council Direction, Background
2. Overall Triennial Reserve Review Results
3. Reserve Review Comments and Recommendations
4. Relevant Excerpts from the 2022 Annual Reserve Report
5. Reserves to be Reviewed in the 2024 Triennial Reserve Review
6. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor, Director Finance	Finance	Approve
Carla Male, Chief Financial Officer and General Manager CPFS	Corporate Planning & Financial Services (CPFS)	Approve