

## **2014 REPORT ON RESERVES AND LONG TERM LIABILITIES**

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### **EXECUTIVE SUMMARY**

Presentation of the 2014 Report on Reserves and Long Term Liabilities.

### **ADMINISTRATION RECOMMENDATION(S)**

That the Priorities and Finance Committee recommends that Council receive the 2014 Report on Reserves and Long Term Liabilities (attachment) for information.

### **RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2015 JULY 14:**

That the Administration Recommendation contained in Report PFC2015-0509 be approved.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

As per the direction in the Council – approved policy # CFO013, Reserves information shall be reported to the Priorities and Finance Committee and to Council in the annual Reserves Report for information purposes.

### **BACKGROUND**

As per Previous Council Direction/Policy Section.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The attached report presents detail on all reserves and long term liabilities including the approval and authorization, funding sources, any conditions and restrictions on use and a summary of activity in each of the last five years.

The City's reserves consist of operating, capital and sustainment reserves. There are 16 operating reserves totalling \$543 million, of which \$443 million is held in the Fiscal Stability Reserve as an operating contingency fund and to provide for one-time funding. The majority of the 17 capital reserves totalling \$894 million are either fully committed or have substantial commitments against them to finance existing approved projects and these commitments will reduce the balances over time. A total of \$285 million is held in 9 separate sustainment reserves. In total, reserve balances at 2014 December 31 are \$1,722 million (2013 - \$1,485 million). The 2014 Report on Reserves and Long Term Liabilities provides a five year history of balances, including those reserves closed within the last five years.

The creation, use and management of reserve funds in a formalized financial reserve policy is a best practice and consistent feature of most large cities in Canada and the U.S. Reserves are part of good management that allows for funds to be spent judiciously over time or to ensure service levels are maintained and not immediately impacted by a potential downturn in the economy. Reserves provide a measure of financial flexibility to react to budget shortfalls or the financial impact of significant unexpected issues in a timely manner, for example as a result of the flood the use of the Fiscal Stability Reserve, as an example. 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. For the majority of reserves,

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expenditures from and contributions to reserve funds are included in the Budget and Budget Adjustments approved by Council.

The report on the results of the first cycle of the triennial reserve review has been presented in Q4 2014.

### **Stakeholder Engagement, Research and Communication**

N/A

### **Strategic Alignment**

The 2014 Report on Reserves and Long Term Liabilities is provided for information to contribute to the Priorities and Finance Committee and Council fulfilling their governance responsibilities. Robust public information on Reserves and Long Term Liabilities is essential to ensure public confidence and fulfill the public's need for transparency and accountability.

### **Social, Environmental, Economic (External)**

Certain reserves support social programs which assist The City in providing such services. Certain reserves support environmental programs and compliance with environmental regulations

### **Financial Capacity**

#### **Current and Future Operating Budget:**

Certain reserves support operating programs which assist The City in providing services.

#### **Current and Future Capital Budget:**

Certain reserves support capital programs and capital commitments which assist The City in providing capital assets

### **Risk Assessment**

In addition to the financial/contractual risks identified in the financial capacity section, certain reserves, such as the Fiscal Stability Reserve provide The City with an ability to withstand negative unanticipated economic impacts or natural disasters (i.e. flood).

### **REASON(S) FOR RECOMMENDATION(S):**

As per the direction in the Council – approved policy # CFO013, Reserves information shall be reported to the PFC and to Council in the annual Reserves Report for information purposes.

### **ATTACHMENT(S)**

2014 Report on Reserves and Long Term Liabilities