

DEC 11 2013

Reserve Comments and Recommendations

REVISED ATTACHMENT 1

ITEM:

PFC2013-6745

CITY CLERK'S OFFICE

Reserve Name	Reserve Type	Balance (2012) (in millions)	General Comments	Recommendation
Community Investment Reserve	Capital	\$112.224	High visibility reserve used for investment in community amenities. Majority of funds dedicated to specific projects.	No recommendation
Community Sustainability & Public Art	Sustainment	\$5.036	Reserve serves two separate and distinct purposes and Business Units, and is funded by two completely different sources.	Modify the Annual Reserve Report summary page to provide more clarity on purpose and conditions of reserve (see Attachment 2 & 3 for recommended changes)
Debt Servicing	Capital	\$67.769	Budgeted annual contributions to the reserve remain remain at \$94.75M. Since very limited new tax-supported debt has been issued of late, annual debt servicing costs continue to decrease and as a result, contributions to lifecycle maintenance will continue to increase (the increase to lifecycle maintenance offsets the decrease in tax-supported debt servicing).	No recommendation Administration will continue to monitor tax-supported debt balances and contributions to lifecycle maintenance.
Development & Building Approvals Sustainment	Sustainment	\$30.794	Reserve is used to manage operating budget fluctuations for self-supported department and also to fund capital projects.	Edit purpose to: "The reserve is used to: 1. Stabilize the DBA operating budget; 2. Fund one-time operating expenditures; and 3. Fund DBA capital expenditures." Edit reserve condition to refer only to the most recent authorizing document, LPT2011-30.
Legacy Parks	Capital	\$13.332	Reserve is used to help create new park space and enhance existing parks. The reserve has a strong governance structure, The Legacy Parks Fund Steering Committee (LPFSC) which includes the Mayor, three councillors and senior city administration. Per LPC2013-0428 LPFSC reports directly to Council.	No recommendation
Livery Transport Services	Operating	\$3.127	Livery Transport Services (LTS) is to be transferred to Animal and Bylaw services and transfer may impact operating and capital budgets going forward. LTS will require a period of time to digest the impacts of the re-organization. In addition, Council mandated growth may impact their sustainability going forward. Any possible change to reserve deferred pending outcome of a re-organization review.	No recommendation
Major Regional Facilities	Capital	\$2.108	Originally, reserve was used to fund the planning phase of building three recreation centres. As those centres are now built, the reserve is now used for artificial turf field replacement. Contributed funds are user fees only.	Change name to "Artificial Turf Field lifecycle replacement". Edit the Purpose and Funding Source to remove all reference to recreation sites.

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Parks Foundation	Operating	\$2.099	Annual investment income used to fund administrative costs of the Parks Foundation. Original funding for the reserve provided by The City (\$2M dating back to 1998 and prior). Funds are segregated and are being managed by Parks Foundation, not by the City of Calgary's Treasury department. Parks Foundation has a strong governance structure.	No recommendation
Parks Maintenance	Operating	\$1.408	The reserve consists primarily of endowment and other third party donations and the funds are to be used for operating and capital parks maintenance. Third party funds have restrictions attached which administration is tracking and abiding by. The reserve was originally established as an operating reserve, however changing the reserve to a sustainment reserve will allow the Business Unit to more effectively utilize reserve funds per donor's conditions.	<ol style="list-style-type: none"> <li>1. Change to a sustainment reserve to allow both operating and capital expenditures to be funded.</li> <li>2. Rename reserve "Parks Endowment and Sustainment Reserve".</li> <li>3. Update purpose to: "A temporary repository for contributions to the development and operations of City Parks from businesses, foundations, grants, individuals and internal revenues. The fund will be used to develop, enhance or maintain Parks operations specific to the funding agreements."</li> <li>4. Change reference from "interest income" to "investment income".</li> </ol>
Perpetual Care of Municipal Cemetery System	Sustainment	\$8.635	Reserve may be used to fund operational activities, annual operating deficits, capital lifecycle maintenance and upgrades, and land acquisition and development costs associated with municipal cemeteries. Original authorizing document (CS96-59-02) states "Reserve proceeds will be invested in a long-term bond fund...". However, Treasury manages overall portfolio of funds and does not segregate individual reserve funds.	No recommendation
Revolving Fund for General Land Purchases	Capital	\$58.654	Reserve is used to purchased land for City purposed where the purchase is beyond the current budget cycle. OLSH negotiates the transaction. Land is transferred to the requesting department once project budget has been approved. Administration completing a Real Estate Portfolio Review.	Modify the Annual Reserve Report summary page to provide more clarity on restricted funds and when funds become unrestricted.
Tax Loss Provision	Operating	\$39.823	A contingency reserve where funds are set aside in the event of a large scale unforeseen tax loss.	No recommendation

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Telus Convention Centre	Capital	\$0.200	The City provides The Telus Convention Centre with \$180k of annual funding for small capital projects. The agreement with the Calgary Telus Convention Centre (CTCC), originally signed in 1974, is to be reviewed by administration in response to The City's internal auditor's review of the CTCC Governance Framework (AC2013-0654).	No recommendation
Unappropriated Surplus	Operating	\$31.258	Not a true reserve, rather an accounting holding account until funds can be transferred to the fiscal stability reserve in the subsequent calendar year.	1. remove the unappropriated surplus from the reserve report. 2. Add current year surplus value to the Fiscal Stability Reserve table (that would make it easier to understand total funds available within the Fiscal Stability Reserve).
Utility Sustainmnet	Sustainment	\$52.226	Recently amended reserve. Provide operating contingency, fund capital projects and manage cash flow timing for acreage assessments and other capital projects.	Modify the Annual Reserve Report <del>summary</del> summary page to more clearly define the Purpose, Condition and Restriction of the reserve (see Attachment 2 3 for recommended changes).
Waste & Recycling Sustainment	Sustainment	\$41.911	Recently amended reserve. Provide operating contingency, fund and manage cash flow timing for capital projects and manage Landfill Closure Liability cash flows.	Modify the table within the Annual Reserve Report <del>summary</del> summary page to more clearly identify funds set aside for contingency and capital (see Attachment 2 3 for recommended changes).
Joint Use Reserve <sup>(1)</sup>	Capital	\$64.609	Agreement between the City of Calgary, Calgary School Board and Calgary Separate School Board. Purpose of the reserve is to purchase land for schools, parks and recreational use. Agreement dates back to 1985 and the Joint Use Coordinating Committee (JUCC) is in the process of reviewing the agreement.	Reserve has grown and has evolved over time. Original agreement between the three parties must be updated to reflect current environment. Specific examples where updates are required have been provided to the JUCC.
Real Estate Reserve <sup>(2)</sup>	Capital		Reserve reviewed in 2012. However, recommending a change to funding source to included interest received on reserve funds lent to other Business Units within The City.	Amend funding source to add the following: "proceeds of intra-city debt (principle and interest)"

**Notes:**

<sup>(1)</sup> Joint Use reserve is a reserve jointly owned by the Calgary Public School Board, the Calgary Catholic School Board and the City of Calgary. The reserve balance and activity are not included in the City of Calgary's financial statements.

<sup>(2)</sup> The Real Estate Reserve was reviewed in 2012. Subsequent to the review, the Office of Land Services and Housing is requesting a change to the reser. The Administrative Reserve Review Committee reviewed the requested change and agreed to add the recommendation to this report rather than have OLSH create an entirely separate Council report for the request.