

**Chief Financial Officer's Report to
Priorities and Finance Committee
2018 July 17**

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2017 Report on Reserves and Long Term Liabilities

EXECUTIVE SUMMARY

Presentation of the 2017 Report on Reserves and Long Term Liabilities.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council receive the 2017 Report on Reserves and Long Term Liabilities (Attachment 1) for information.

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 of Calgary's ("The City") reserves consist of operating, capital and sustainment reserves. There are 16 operating reserves totalling \$695 million, of which \$574 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 \$884 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 \$624 million is held in 12 separate sustainment reserves. In total, reserve balances at 2017 December 31 are \$2,203 million (2016 - \$2,089 million). The 2017 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 United States. 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, the use of the Fiscal Stability Reserve in response to the 2013 flood event. A properly balanced approach to the planning and use of reserves is considered good financial management and is a key component of The City's strong credit rating. For the majority of reserves, expenditures from and contributions to reserve funds are included in the Budget and Budget Adjustments approved by Council.

The results of the third cycle of the triennial reserve review presented to and approved by the Priorities and Finance Committee in Q4 2017 have been reflected in this report.

2017 Report on Reserves and Long Term Liabilities

Stakeholder Engagement, Research and Communication

N/A

Strategic Alignment

The 2017 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).

Reserves contribute to the liquidity of The City, which is a significant factor supporting our current credit rating.

REASON FOR RECOMMENDATION:

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

- 1) 2017 Report on Reserves and Long Term Liabilities