

### Reserve Comments and Recommendations

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
Calgary Heritage Authority Reserve	1	Operating	\$1,772	<p>This reserve was created as an endowment fund in 2012 through the merging of two earlier funds related to the preservation of Calgary's heritage. The reserve is administered by The City, but its funds are to be spent by the Calgary Heritage Authority at its sole discretion to provide resources to support its mandated activities.</p> <p>The review found that the reserve is appropriately managed and is used in compliance with its purpose, conditions and restrictions. The review also identified that the reserve may be affected by decisions made in the One Calgary budgeting process.</p>	<p>Revise the reserve template, as shown in Attachment 2, to add clarity around the origin of the reserve's minimum balance and to readily identify both the accumulated net interest, which is available for use, and the protected principal amount, which is not.</p> <p>Re-examine this reserve on a limited scope as part of the 2019 Triennial Reserves Review to determine whether any changes to its funding have been necessitated by the results of the One Calgary budgeting process.</p>
Children's Reserve Fund	2	Operating	\$4,723	<p>This endowment-type reserve earns investment income, which can be used for programs to support low income families and their children. During the review period, this funding was used to support Recreation's Fee Assistance Program. The review found that the reserve is appropriately managed and used in compliance with its purpose, conditions and restrictions.</p> <p>The amount of interest earned by the reserve fluctuates between approximately \$100 and \$150 per year.</p>	<p>Revise the reserve template, as shown in Attachment 2, to clearly identify that reserve funds must be used in accordance with the reserve's terms and conditions, and to separate the principle and investment income to readily identify both the accumulated net interest, which is available for use, and the protected principal amount, which is not.</p>

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ENMAX Dividend Stabilization Reserve	3	Operating	\$20,000	<p>This reserve is used as a contingency to stabilize any shortfall in the ENMAX dividend. There were no transactions over the review period.</p> <p>There are inconsistencies between the reserve's authorizing documents and its template. According to the reserve's authorizing documents, it is to be used whenever the dividend is below \$47,000; according to the reserve's template, it is to be used whenever there is an unfavourable variance between the dividend and its budget, which may vary year-to-year and need not necessarily be \$47,000.</p> <p>The authorizing documents also state that contributions to the reserve are based on the excess over budget, while withdrawals are set against the benchmark of \$47,000. If the budget is below \$47,000, this can lead to a situation where the reserve terms call for both a withdrawal from the reserve and a contribution to the reserve.</p> <p>Similar inconsistency exists in the definition of funding sources for the Legacy Parks Reserve, which specifies excesses over \$47,000.</p>	<p>As the 2018 ENMAX dividend budget is set at \$47,000, the discrepancies in the template and authorizing document have no effect at present.</p> <p>Confirm that this reserve is intended to operate as a contingency to fund any shortfalls in the ENMAX dividend compared to its annual approved budget.</p> <p>Track this change as a carry-forward item to be addressed as part of the Legacy Parks Reserve review as a regular part of the scheduled 2019 Triennial Reserves Review.</p>
Family & Community Support Services (FCSS) Stabilization Fund	4	Operating	\$4,361	<p>This reserve supports the broader FCSS program and provides funding for preventive social services initiatives, including capacity building, and emerging issues.</p> <p>The Council Policy on FCSS defines the procedures relevant to the FCSS program. The FCSS program, which is subject to provincial reporting and external financial audit requirements, determines the draw from this reserve through its annual budget.</p> <p>The special reporting requirement stated on the reserve template should have been removed when the reserve conditions were revised in 2015. The authorizing documents section includes reference to a policy that has been replaced and is no longer relevant.</p>	<p>Revise the reserve template, as shown in Attachment 2, to correct the authorizing documents section, clarify the reserve conditions, remove the out-of-date special reporting requirement, and remove an out-of-date reference from the Current Activity table.</p>

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Fiscal Stability Reserve	6	Operating	\$573,721	<p>The FSR is primarily a contingency reserve, with the ability to fund one-time operating budget expenditures through its investment income. The reserve's target and minimum balances are set based on a proportion of tax-supported operating expenditures net of recovery; these are set at 15% and 5%, respectively, and were examined as part of the review.</p> <p>Council's Fiscal Stability Reserve policy, CFO002, last updated in 2008, defines the terms and conditions for the FSR.</p> <p>Council's Franchise Fee policy, CFO003, last updated in 2004, defines the treatment for the favourable and unfavourable budget variance for franchise fee revenues.</p> <p>According to the policy, unfavourable budget variances relating to the franchise fees should be funded by reducing budgeted contributions to the Reserve for Future Capital. There were unfavourable variances in the franchise fees budget in 2015, 2016 and 2017. At present, all budgeted contributions to the RFC are assigned to a specific business unit and use; there are no unassigned contributions that could be used to fund an unfavourable variance. As such, the policy could not be followed and so the unfavourable variance flowed through to the Fiscal Stability Reserve.</p> <p>An internal loan from the FSR, to provide funding for the relocation of the McHugh House, was approved by Council (C2014-0188) and paid from the reserve in 2015.</p> <p>The review found reserve activity to be appropriately authorized.</p>	<p>Recommend minor edits to the purpose section of the reserve as outlined in Attachment 2.</p> <p>Recommend disclosure notes for the internal loan from the FSR within the financial activity table as outlined in Attachment 2.</p> <p>Recommend that CFO002 FSR policy and CFO003 Franchise Fee policy be reviewed in the 2019-22 business cycle as part of a broader review of CFOD budgeting and reserve policies. Approved updates to these Council policies resulting from the review will inform the future management and operation of this reserve.</p>
Group Life Reserve	8	Operating	\$1,725	<p>The Group Life Reserve was established to meet a contractual obligation between The City and its benefits provider. The City is required to maintain a reserve balance based on its Refund Billed Premium.</p> <p>Over the review period, the reserve's transactions were solely to set the balance at its contractually required level. All transactions were appropriate and properly authorized. All special reporting requirements were met.</p>	No recommendations.

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
Health, Safety and Wellness Reserve	9	Operating	\$18,813	<p>This reserve is jointly administered by Human Resources and Environmental and Safety Management. The reserve is used to fund preventive and proactive health, wellness and safety programs. There are jointly defined principles and criteria for the use of the funds, which the review has determined were followed.</p> <p>The reserve is funded through a contribution from the Employee Benefits Program budget, WCB rebates and WCB dividends.</p> <p>The reserve has special reporting requirements. The review has determined that these are being met.</p> <p>At present, the reserve is considered temporarily overfunded as a result of several years of large WCB return on investment payments. These dividends are not anticipated to continue, and balances are expected to normalize over the coming years.</p>	Revise the reserve template, as shown in Attachment 2, to more clearly identify special reporting requirements under that section, explicitly state the proportions used in distributing the funding sources, and separate the Current Activity table into the reserve's two components to enable users to identify activities and balances related to safety, health and wellness.
Heritage Incentive Reserve	11	Operating	\$1,205	<p>This reserve was created in 2003 to fund the implementation of The City's Heritage Incentive Program, which provides grants to non-City-owned municipal heritage resources.</p> <p>The reserve operates using a defined grant process, which sets forth maximum expenditures, eligibility requirements, and establishes a strict first-come, first-serve policy. The review has determined that the reserve has been operated in accordance with the grant process.</p> <p>The reserve is generally funded through mill rate contributions, though a one-time contribution was made in 2017 with Council approval. The review has found the reserve's funding to be compliant with its terms.</p> <p>At present, the reserve is capable of financing approximately three to four projects through to completion each year. By contrast, inventoried historical sites that are potentially eligible for a formal heritage designation and grant funding increase by thirty to fifty per year; Calgary's heritage resources also continue to age. This creates significant funding pressure, and the reserve is fully subscribed each year.</p> <p>As part of One Calgary, a request has been made to increase the funding for this reserve.</p>	<p>Re-examine this reserve on a limited scope as part of the 2019 Triennial Reserves Review to determine whether any changes to its purpose, conditions, restrictions or funding sources have been necessitated by the results of the One Calgary budgeting process.</p> <p>Approve that this reserve earns interest income, effective January 1, 2018, in keeping with Council's original approval in report FB2002-27.</p>

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
Mall Programming Fund	13	Operating	\$813	<p>The reserve is used to maintain and supplement activities and programs on Stephen Avenue Mall in the 300 west block between Bankers Hall and Toronto Dominion Square.</p> <p>There were no transactions during the period covered by this review.</p> <p>This reserve was initially funded through a contribution related to a public art project, which formed the initial principal balance for this endowment-type reserve. Expenditures involving the principal of the Fund may be made only by Council approval.</p> <p>Accumulated interest is managed by the Mall Programming Fund Management Committee (MPFMC), which includes a City representative as its chairperson of this committee.</p> <p>The MPFMC has not met since 2013 and currently lacks Terms of Reference. Through 2019, the development of a Stephen Avenue Masterplan and new terms of reference for the MPFMC is underway. This will inform the future use of this reserve, its operation and governance.</p>	<p>Revise the reserve template, as shown in Attachment 2, to readily identify both the accumulated net interest and the protected principal amount.</p> <p>Recommend that any changes to the reserve resulting from the Stephen Avenue Masterplan and the terms of reference for the MPFMC be examined as part of the 2019 Triennial Reserve Review.</p>
Self-Insurance Reserve	14	Operating	\$7,000	<p>This contingency reserve is required by law to allow The City to partially self-insure. The Superintendent of Insurance annually assesses the adequacy of funds held by The City for self-insurance purposes.</p> <p>Self-insurance at The City is managed both through this reserve and through an annual liability provision. Only losses in excess of \$500 are funded from this reserve. It has not been used to pay claims since 2005.</p> <p>The reserve has reached its maximum balance of \$7,000.</p>	No recommendations.

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
Snow and Ice Control (SNIC) Reserve	16	Operating	\$12,482	<p>This reserve is used to stabilize The City's Snow and Ice Control (SNIC) budget by accumulating SNIC budget surpluses generated in years with lower-than-average weather severity, and using them to fund budget shortfalls where required.</p> <p>In 2017, \$919 of unspent funds were transferred into the reserve from Calgary Transit's budget for accessibility improvements, which primarily relates to SNIC. This was a one-time contribution that does not fall within the reserve's normal funding source.</p> <p>In 2018, Calgary Transit and Roads signed a Memorandum of Understanding that would enable certain Transit accessibility-related SNIC budgets to be accumulated in this reserve and used later along similar principles to the reserve's present structure.</p> <p>All other reserve activities over the review period were determined to be in accordance with the reserve's purpose, conditions, restrictions and approved funding sources.</p>	<p>Approve the Transit \$919 contribution to this reserve from 2017.</p> <p>Approve the changes shown in the template, as shown in Attachment 2, to improve reserve administration and enable other business units with SNIC responsibilities to draw on this reserve to fund SNIC activities where necessary.</p> <p>Approve the addition of Calgary Transit funding and use of this reserve, as detailed in Attachment 2, as well as the revision to the reserve Current Activity table to segregate future Roads and Transit contributions, as they will be managed under slightly different terms.</p> <p>Revisit this reserve's target balance as part of the 2019 Triennial Reserves Review in light of potential changes to SNIC service levels as part of the One Calgary budgeting process.</p>
Asphalt and Crusher Plant Lifecycle Capital Reserve	18	Capital	\$6,443	<p>This reserve is used to finance future capital expenditures relating to The City's Asphalt Plant and Crusher Plant. The reserve has a target maximum balance of \$7,500, and intended to be funded until it reaches the maximum balance or is sufficient to fund the next four years of Plant Operations capital expenditures through budget surpluses, proceeds of sale from surplus assets, depreciation on plant assets, and interest income.</p> <p>Roads has a detailed 10-year capital plan for Plant Operations; this reserve is sufficiently funded to support it over the next four years.</p> <p>Transactions were found to be properly approved, in accordance with reserve's terms and conditions, based on a sample approach.</p> <p>Plants is largely a self-funded, self-supporting activity. A change to the reserve's funding source to reflect the excess of revenues and recoveries over expenditures after other fund transfers, rather than budget variances, would be more aligned with this status.</p>	<p>Approve the change to the reserve's approved funding source as shown in Attachment 2.</p> <p>Make changes to the Reserves Template, as outlined in Attachment 2, to increase the clarity of the document and improve its usability.</p>

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
Corporate Housing Reserve	20	Capital	\$30,383	<p>This reserve is used to support the development of affordable rental, social and special needs housing infrastructure and to manage operating costs associated with affordable housing initiatives.</p> <p>It is funded through certain real-estate related financing sources, a municipal subsidy, investment income, lease revenues, and third party donations, grants and contributions.</p> <p>A review of reserve activities has found them to be appropriate and compliant with the reserve's requirements.</p> <p>A portion of RFC PAYG funding from 2017 was double-counted in this reserve's current activity table, and should be removed; this was an in-and-out transaction and had no effect on the ending balance.</p>	<p>Approve the restatement of balances, shown in Attachment 2, to remove an incorrectly included PAYG transfer.</p> <p>Approve clerical revisions to the reserve's authorizing documents and conditions, as shown in Attachment 2, to improve usability and clarity.</p> <p>Re-examine this reserve in 2019 in light of potential changes relating to the Housing Incentive Program that may be approved as part of the One Calgary budget process.</p>
Downtown Improvement Fund	23	Capital	\$3,050	<p>The Downtown Improvement Fund assists in the implementation of public improvement projects in the Centre City. Reserve funds may be used to help fund operating maintenance costs of specialty assets in the Centre City.</p> <p>The reserve is funded by license fees charged to commercial users of public rights-of-way, primarily pushcart and License of Occupation (LoO) revenues for street-level and Plus 15 areas; these revenues are then reinvested into the downtown area.</p> <p>The terms restrict funding contributions to \$300 per year, with the ability to accrue unspent amounts to future years. As the reserve is budgeted on a program basis, any spending under \$300 is typically accrued.</p> <p>A \$500 transaction recorded as a contribution to capital recorded in 2017 was actually a transfer to the RFC based on budget re-allocations made in 2013 and 2014.</p> <p>Other transactions and activities were found to be appropriate.</p>	<p>Approve a change to the reserve's conditions, effective 2017, to establish a four-year limitation on carry-forwards, and to the reserve's Current Activity table to clearly show how much accrued carry-forward is available to the reserve's owners.</p> <p>Approve a change to the Current Activity table, as shown in Attachment 2, to correctly identify \$500 in spending in 2017 as a transfer to another reserve.</p>

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
LED Street Light Re-Lamping Reserve	25	Capital	\$9,123	<p>This reserve is financed using savings arising from energy efficiency benefits of LED re-lamping. These savings are then reinvested into further re-lamping.</p> <p>The City recently completed a large LED Street Light Re-lamping project, which was accelerated due to the downturn and concluded in 2.5 years instead of four. Electrical savings (in kWh) of approximately 40% resulted from this change, leading to significant contributions to this reserve.</p> <p>In practice, this reserve was funded using budget surpluses. As budgets were revised down over time to take into account cost savings, contributions were slightly less than anticipated. This did not affect the successful completion of the re-lamping project. Otherwise, spending and funding were in accordance with reserve terms.</p> <p>With the Re-lamping project complete, this reserve has served its primary purpose. Roads has established a capital spending plan to draw down the remainder of the funds in this reserve.</p>	<p>Formally redefine the reserve's funding to budget surpluses rather than electricity savings, as shown in Attachment 2.</p> <p>Cease funding to this reserve effective after this year and authorize its closure once it has been depleted, expected by the end of 2019.</p>
Parking Land Acquisition Reserve	26	Capital	\$41,719	<p>The purpose of the reserve was initially to fund land purchases to be used for parking facilities in suitable locations in the Downtown.</p> <p>Two additional special projects, relating to innovative TOD and living street programs, were also approved by Council.</p> <p>As the cash-in-lieu program has been concluded and new Downtown Parking Strategy has been approved, Council stipulated that this reserve should be closed once the two approved special purpose projects were finished.</p> <p>The two special purpose projects are now completed and the reserve has met its purpose. This reserve is therefore recommended for closure in accordance with prior Council direction.</p>	<p>Authorize closure of this reserve and the transfer of the remainder of its balance to the newly created Cash-in-Lieu Lifecycle Sustainment Reserve.</p>
Cash-in-Lieu Lifecycle Sustainment Reserve (PROPOSED)	28	Sustainment	\$0	<p>Council directed Administration to create a process, in conjunction with the Calgary Parking Authority (CPA) and The City's Reserve policies, to enable CPA to access funds from the Parking Land Acquisition Reserve to support lifecycle requirements for existing cash-in-lieu parking facilities.</p> <p>This Cash-in-Lieu Lifecycle Sustainment Reserve, funded by the closing balance of the Parking Land Acquisition Reserve, will serve that purpose.</p>	<p>Authorize the creation of this reserve, with purpose, conditions, restrictions, and funding sources as detailed in Attachment 2.</p> <p>Approve the addition of this reserve to the 2020 Triennial Reserves Review schedule, to be reviewed at the same time as the Parking Revenue Reinvestment Reserve.</p>



Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
Budget Savings Account	29	Sustainment	\$157,334	<p>This reserve was created to encourage and provide incentives for business units to seek savings, innovations, and efficiencies, and to set aside funding for a Community Economic Resiliency Fund ("CERF") to be used to freeze fees, fund non-profits and business units, and provide direct economic stimulus.</p> <p>A review of a sample of reserve transactions determined that they were consistent with the reserve's terms and conditions.</p> <p>The BSA reserve accepts all departmental favourable operating variances, with Council and corporate program variances placed into the FSR.</p> <p>Most economic recovery expenditures were funded through BSA-CERF. Some were also funded through the main BSA and the FSR. In all cases, this was as approved by Council.</p> <p>In practice, the provision for 100% corporate use of contributions is used to mitigating the effects of an economic downturn. These effects are not necessarily limited to the duration of the downturn itself, and can continue after the economy has begun to recover.</p>	<p>Approve changes to the reserve template, as outlined in Attachment 2, to clarify the relationship between Corporate use of reserve funds and impact-mitigation for economic downturns.</p> <p>Approve the review of the relationship between this reserve and the Fiscal Stability Reserve as part of the 2019-2022 business cycle review of CFOD reserve and budget policies.</p>

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
Real Estate Services Reserve	31	Sustainment	\$70,796	<p>This reserve is used to finance the acquisition and development of land by the Real Estate &amp; Development Services business unit. Using this reserve's funds, REDS improves and develops lands to meet Municipal purposes and for resale. The reserve is self-sustaining, as the proceeds arising from the sale of improved lands are re-invested.</p> <p>The review determined that the reserve was used in accordance with its purpose, conditions and restrictions, and funded in accordance with its approved funding sources.</p> <p>It was determined that a portion of funding in this reserve, relating to the Bridges Project, is tracked separately as a General Hospital Legacy Endowment Fund and was authorized to receive investment income. As these funds are presently being used to manage RE&amp;DS development activities in the Bow Valley Centre (General Hospital) land area, they are appropriately contained within the Real Estate Reserve until the conclusion of the Bridges Project.</p>	<p>Approve changes to the Reserves Template as shown in Attachment 1 to provide improved transparency, disclosure and tracking of funds relating to the General Hospital Legacy Endowment Fund.</p> <p>Authorize the allocation of interest income to the portions of the reserve that relate to the Bridges Project/General Hospital Legacy Endowment Fund.</p>

### 2017 Follow-Up Reserve Comments and Recommendations

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (numerical values in thousands)	Recommendation(s) (numerical values in thousands)
Golf Course Reserve	33	Sustainment	\$2,777	<p>As part of the 2017 Triennial Reserves Review, Administration identified a Notice of Motion arising from report CPS2017-0159 that directed Administration to return to Council with certain information and alternatives related to The City's Golf Courses.</p> <p>Accordingly, Administration committed to follow up on this as part of the 2018 Triennial Reserve Review and determine whether any changes are required to this reserve.</p> <p>As there were no significant changes to the golf course's operating model, no further actions are required.</p>	No recommendations.

Reserve Name	Attachment 2 Page Number	Reserve Type	Balance 2017 (in thousands)	General Comments (\$ in thousands)	Recommendation(s) (\$ in thousands)
Fleet Services Reserve	34	Capital	\$10,933	<p>As part of the 2017 Triennial Reserves Review, Administration identified that the Fleet Services business unit was in the process of developing expenditure plans using this reserve.</p> <p>Accordingly, Administration committed to follow up on this as part of the 2018 Triennial Reserve Review.</p> <p>Fleet Services has developed a capital plan for the use of this reserve, and anticipates withdrawing \$10,000 over the course of 2018 and 2019 to use for the acquisition of fleet vehicles in preference to debt.</p> <p>As a capital plan has been created, no further actions are required.</p>	No recommendations.