

ADMINISTRATION POLICY:

Financial Reserves

Policy Number:	FA-050 (B)
ALT Report:	ALT2010-072
Approved By:	City Manager and Chief Financial Officer (CFO)
Effective Date:	2016/11/01
Next Revision Due:	2018/11/01
Department / BU:	CFO's Department /Corporate Financial Reporting (CFR)

BACKGROUND

The creation, use and management of reserve funds within the framework of 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 are used to accumulate funds over time to replace capital assets, and also provide a measure of financial flexibility to react to budget shortfalls or the financial impact of significant unexpected issues in a timely manner. A properly balanced approach to the planning and use of reserves is considered good financial management and is a key component of the strong credit rating of the Corporation of The City of Calgary ("The City").

PURPOSE

The purpose of this administration policy is to establish guidelines and criteria for proper administration of financial reserves.

DEFINITIONS

None

INTENDED OUTCOMES OF THIS POLICY

This policy is intended to ensure financial stewardship of The City's financial reserves and compliance with the *Municipal Government Act*, Council policy, and applicable external agreements.

POLICY STATEMENTS

1.0. Scope/Exceptions

This policy applies to all City of Calgary financial reserves. No City reserves are exempt.

2.0. General Policy Statements

2.1. Administration shall manage The City's reserves in accordance with the reserve's purpose and any or all conditions and/or restrictions placed upon the reserve by Council and shall ensure reserves continue to be aligned with Council's goals and objectives. Proper management of reserves include the following:

2.1.1. Ensure all reserve-related transactions abide by the purpose of the reserve, any condition and/or restriction and with all applicable regulations and legislations;

2.1.2. Ensure operating and capital budgets include reserve activity where applicable;

2.1.3. Ensure that reserve transactions and balances are properly disclosed in The City's Annual Financial Statements and summary reserve activity is reported accurately in the Annual Report on Reserves and Long Term Liabilities, including any reserve amendment or closure;

2.1.4. Prepare an action plan to return a reserve back into compliance when a reserve is either over or under funded, as per conditions set out in the reserve's authorizing documents approved by Council; and

2.1.5. Ensure documentation of reserve activity is accurate, complete and maintained as per the "Procedures for Financial Reserves".

2.2. Administration is responsible for administering the Triennial Reserve Review process in accordance with administrative procedures.

2.2.1. The purpose of the review process is to ensure reserves are being managed properly and to evaluate the continued relevance of individual reserves.

2.3. Council approval is required for the following reserve-related activities.

2.3.1. Request to create a new reserve;

- 2.3.2. Request to amend or close an existing reserve;
- 2.3.3. One-time use of funds not defined in authorizing documents;
- 2.3.4. One-time contribution, greater than \$200,000, not defined in authorizing documents; and
- 2.3.5. Recommendations as a result of the Triennial Reserve Review process.
- 2.4.** Administration can approve the following reserve-related activities and/or reports:
 - 2.4.1. Ongoing activities of reserves as per the reserve's purpose, conditions and/or restrictions;
 - 2.4.2. One-time contribution, up to \$200,000, not defined in authorizing documents;
 - 2.4.3. Annual Report on Reserves and Long Term Liabilities; and
 - 2.4.4. Over- or under-funded action plans.
- 2.5.** Only reserve-related reports approved by the CFO and the City Manager shall be submitted to the Priorities and Finance Committee and Council.
- 2.6.** All requests to either create a new reserve or amend or close an existing reserve are to be initiated by the Business Unit Director.
- 2.7.** Reserves meeting specific criteria shall earn and retain investment income in accordance with the Procedures for Financial Reserves and Treasury's Interest Rate Determination and Allocation Procedures.

3.0. Consequences of Non-Compliance

Failure to adhere to this policy may result in disciplinary action, up to and including dismissal.

SUPPORTING REFERENCES AND RESOURCES

Please note that some of the items listed below may not be publicly available.

References to related corporate-wide procedures, forms and resources

- [Procedures for Financial Reserves](#) on the intranet web page
- Triennial Reserve Review process
- Reserve Administrative Procedures
- Interest Rate Determination and Allocation Procedures

References to related [Council policies](#), bylaws and [administration policies](#)

- Reserves Policy (Council Policy CFO013)

Other references and resources

- Municipal Government Act (MGA)

REVISION HISTORY

Review Date	Description
2016 / 11 / 01	Update Policy – Minor Revisions
2010 / 11 / 15	New Policy