



2010 REPORT ON RESERVES AND LONG TERM LIABILITIES

The City's reserves consist of operating, capital and sustainment reserves. There are 19 operating reserves totalling \$318 million, of which \$225 million is held in the Fiscal Stability Reserve as an operating contingency fund and to provide for one-time funding. The majority of the 26 capital reserves totalling \$653 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 \$94 million is held in 8 separate sustainment reserves. In total, reserve balances at 2010 are just over \$1 billion. The 2010 Report on Reserves and Long Term Liabilities provides a five year history of balances, including those reserves closed within the last five years and can be found on my [website](#).

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 carefully over time or to ensure service levels are maintained and not immediately impacted by a potential downturn in the economy. When significant events like these occur, the Funds act as a safe buffer that can be used when other methods of funding (such as a sudden tax jump) are unnecessary or impossible. These Funds are a tool that allows the City of Calgary to maintain sustainability and stability in our city.

Reserves provide a measure of financial flexibility to react to budget shortfalls or the financial impact of significant unexpected issues in a timely manner, as we have recently experienced with the economic downturn and the use of the Fiscal Stability Reserve.

In 2010, Council approved a new policy on financial reserves. The primary objective of the revised policy was to authorize or clarify the processes required for:

- Creation of new reserves, including the purpose, funding, conditions, restrictions and appropriate minimum/maximum funding ranges;
- Administration of reserves, including annual contributions and withdrawals, interest bearing status, the treatment of one-time or unanticipated revenue sources and courses of action if a reserve is over or under funded;
- Periodic reviews of all reserves; and
- Amendment or closure of a reserve.