

Administrative Policy

Municipal Funding Arrangements



Program Impacted	Financial Management <i>The City of Edmonton's resilient financial position enables both current and long-term service delivery and growth.</i>
Number	A1476
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Approval History	n/a
Next Scheduled Review	March 25, 2024

Policy Statement

Providing municipal funding to support external agencies, programs and projects encourages city building and economic development that support the goals of ConnectEdmonton.

Municipal funding takes many forms including direct contributions, grants, sponsorship, rebate or operating support. Regardless of form, the recipients' use of municipal funding must be transparent, accountable, and consistent. These standards ensure that the City's financial and reputational risks are well-managed and that taxpayers receive value for municipal funding invested in the community.

The purpose of this policy is to establish controls on and confidence in the authority to approve municipal funding that is delegated across the organization. This policy sets out guiding principles that must be considered when developing funding programs and approving funding proposals and agreements.

Guiding Principles

When considering a request for municipal funding, risk management must be balanced with responding effectively in a timely manner. Prior to entering a Municipal Funding Agreement a budget for expenditures must be established. The approval of funding arrangements must consider the following:

- Whether the funding arrangement is aligned with the City's strategic plan, stated corporate outcomes and approved plans
- The risk (financial, reputational and other) of entering into a funding arrangement with the recipient
- In the case of grants, operating support and other forms of direct contributions:
 - the recipient's past history of fulfilling their obligations under City funding arrangements; and

- the recipient's financial position including a review of prior year(s) financial statements

Approved funding agreements must be based on the following principles:

- **Documentation** - where possible, city funding should be provided to reimburse the recipient for incurred costs, demonstrated by verifiable itemized invoices, certificates, or other documentation rather than in advance
- **Reporting** - where reimbursement of expenses is not feasible, the terms of the agreement should be clear and unambiguous as to the allowable uses of City funding, and require the recipient to provide a detailed report showing how the funds were spent
- **Transparency** - the City should have access to relevant financial information related to the project or programs being funded by the City to determine compliance with the funding agreement
- **Outcomes** - the requirement of the recipient to report to the City, prior to the release of final funding, or at a minimum prior to expiry of the agreement, on the use of the funds and how it achieved the intended objectives
- **Verification** - where City funding is used to support, fund or finance construction, the amount approved should be based on a bona fide estimate, and payments should be provided in intervals based on project milestones, with completion progress verified at each milestone by a qualified third-party, such as a certificate from a quantity surveyor or professional engineer licensed to practice in Alberta, before payment is authorized
- **Security** - for significant capital funding agreements, the City should obtain a form of security in the asset being funded to ensure completion of the project and fulfillment of the terms of the funding agreement by the recipient, and should retain a holdback and obtain a certificate from the recipient confirming that the project is free of liens and other encumbrances before final payments are released

Definitions

- **Contribution** - a transfer of cash, goods or services made to external parties.
- **Exchange Transaction** - a contribution where the City receives a good or service directly in return.
- **Grant** - a contribution where eligibility criteria or stipulations are required, qualify for funding and for which there is a formal application and selection process.
- **Investment** - a contribution made with an expectation of direct financial return.
- **Loan** - a contribution with the expectation of repayment in the future.
- **Municipal Funding Agreement** - any trust deed, agreement or agreements executed from time to time between the City and any recipients including individual or organization. Municipal Funding includes direct contributions, grants, sponsorship, rebate or operating support.
- **Rebate** - a reimbursement to a recipient for an expense as a form of incentive.

- **Sponsorship** - a contribution of funds to an eligible organization in return for an identified promotional return to the City.