



CITY POLICY

POLICY NUMBER: C217D

REFERENCE:

City Council 2006 11 28
City Council 2002 10 29
City Council 1997 05 20
City Council 1986 11 25
Municipal Government Act, R.S.A. 2000, C.M-26, as amended

ADOPTED BY:

City Council
December 11, 2018

SUPERSEDES:

C217C

PREPARED BY: Financial Services

DATE: 2018 December 11

TITLE: Reserve and Equity Accounts

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Policy Statement:

1. In compliance with this policy and the Municipal Government Act, the establishment of all Reserve and equity accounts and the transfers to and from these accounts require Council approval through the budget.
2. The financial stabilization Reserve must have a minimum balance of 5.0% with a target balance of 8.3% of current general government expenses (excluding non-cash amortization.) One hundred percent of any annual general government surplus will be placed in the financial stabilization Reserve. Any balance above the target will be applied evenly to the three subsequent years' operating budgets or applied to significant one-time operating expenses or capital priorities. In the event of a balance below the minimum level, a strategy will be adopted to achieve the minimum level over a period not to exceed three years, starting with the subsequent year operating budget. The strategy may include replenishing the Reserve with any unplanned one-time revenues, previously committed one-time contingent funds or appropriated items that are no longer required for their original purpose. Other Reserve and equity account balances will be reassessed and where appropriate, amounts transferred to the financial stabilization Reserve.
3. Reserve and equity account balances will be reviewed on a periodic basis, with recommendations made to City Council.



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1. DEFINITIONS

- 1.1 Annual General Government Surplus is the excess of revenue over expenses (excluding non-cash amortization), for general government activities, as consistent with the City's audited financial statements.
- 1.2 Reserve Accounts represent amounts appropriated from surpluses for designated requirements.
- 1.3 Equity Accounts represent the accumulated earnings (accumulated surplus) within the City of Edmonton.
- 1.4 Financial Stabilization Reserve is an uncommitted Reserve account established for the purpose of providing funding to address significant emergent financial issues. The Reserve is not intended to be used to stabilize future tax rate increases.
- 1.5 General Government Expenses are the general government expenses consistent with the City's annual audited financial statements for the most recent year (excluding non-cash amortization.)

2. PROCEDURES

- 2.1 City Manager to:
 - a) Recommend, to the Executive Committee of City Council, approval of this Policy and amendments thereto.
 - b) Recommend to City Council approval of the establishment of and changes to Reserve and Equity Accounts.
 - c) Recommend transfers to or from Reserve and Equity Accounts through the budget.
 - d) Recommend to City Council a strategy to replenish the Financial Stabilization Reserve if the Reserve balance falls below the minimum balance.
- 2.2 Reserve and Equity Accounts and transfers will be reported and approved through the budget.
- 2.3 The Chief Financial Officer will undertake a detailed review of Reserve requirements every three years.
- 2.4 Interest earnings are intended to be applied to a Reserve if there are external requirements based on legislation or agreements, or if the Reserve is intended to maintain future capital purchasing power. Interest will normally be applied at the City's short-term investment earnings rate.



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- 2.5 The Financial Stabilization Reserve shall have a minimum balance of 5.0% and a target balance of 8.3% of current general government expenses.
- 2.6 The target level of the Financial Stabilization Reserve will be reviewed and revised with the completion of each audited annual financial statement.
- 2.7 A full risk based review of the Financial Stabilization Reserve will be completed as a minimum every three years with revisions to the minimum and target balances if necessary.
- 2.8 Any Annual General Government Surplus will be applied to the Financial Stabilization Reserve. Any balance above the target will be amortized evenly over three years, starting with the subsequent year operating budget or applied to significant one-time operating expenses or capital priorities.
- 2.9 Use of the Financial Stabilization Reserve will be determined by City Council based on recommendation from the City Manager, after considering the general financial position of the organization.
- 2.10 Fund levels in the Equity Accounts will be reviewed as a minimum every five years.
- 2.11 Reserves expected to have deficit balances will only be established if future funding to offset the deficit balance has been identified at the time of creating the reserve.