



Council Policy

Reserve and Equity Accounts

Program Impacted	Financial Sustainability <i>The City of Edmonton's resilient financial position enables both current and long-term service delivery and growth.</i>
Number	C217E
Date of Approval	December 6, 2021
Approval History	December 12, 2018 November 28, 2006 October 29, 2002 May 20, 1997 November 25, 1986
Next Scheduled Review	December 6, 2024

Policy Statement

Reserve and equity accounts support the financial sustainability of the City. Through a resilient financial position the City is able to provide both current and long-term service delivery and growth.

Reserve and equity accounts help ensure the City is financially sound, accountable and transparent in managing public funds.

Reserve and equity account balances will be reviewed on a periodic basis, with recommendations made to City Council.

This policy only applied to reserve and equity accounts that fall under the authority of the City Manager, and excludes reserve and equity accounts of the City's boards and authorities.

Guiding Principles

Governance

1. The establishment of all Reserve and Equity accounts requires approval from City Council.

2. Transfers to and from Reserve and Equity accounts require approval from City Council through the budget or the City Manager as specified in the *City Administration Bylaw*.
3. Expenditures funded from a Reserve must be allowable expenditures for that Reserve as indicated in the Reserve Register, and must be reviewed in alignment with the City's Expenditure Authority Framework Administrative Procedure.
4. Administration is responsible for ensuring sufficient funding is available in the Reserve to meet its requirements as outlined in the Reserve Register.
5. Recommendations to Council for the transfer of Reserve funds must align with the purpose of the Reserve provided in the Reserve Register.
6. A Reserve Register will be maintained that lists all current active reserve accounts, the purpose of the reserve, descriptions including allowable expenditures, responsible branch, and whether the reserve is interest bearing and has a minimum balance requirement.

Administration

7. New Reserves and Equity Accounts are to be considered where funds need to be internally restricted to serve a specific purpose.
8. Minimum Reserve balances can be established if a Reserve is intended to hold a minimum amount of funding to manage the fluctuations in the program it supports. This is often the case with Stabilization Reserves.
9. 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.
10. 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.
11. Reserves are identified as Specific Purpose, Regulatory/Third Party Requirements and Stabilization.

Monitoring and Reporting

12. The Reserve Register will be updated annually.
13. Administration will undertake a detailed review of Reserve requirements and fund levels in the Equity Accounts every three years, and has the authority to annually update the Reserve Register based on Council approved changes.
14. Administration will report to City Council on significant reserves as part of regular financial reporting, and at a minimum annually.
15. Reserve and Equity Accounts will be reviewed by Administration at a minimum annually, to ensure appropriate use of the account.

Definitions

- **Annual Tax-Supported Operating Surplus** The excess of revenue over expenses (excluding non-cash amortization and gain or loss on disposal of assets), for tax-supported civic areas, as consistent with the City's audited financial statements.
- **Equity Accounts** Represent the accumulated earnings (accumulated surplus) of separate reporting entities of funds within the City of Edmonton under the authority of the City Manager.
- **Regulatory/Third Party Requirements Reserves** Used to segregate funds required to meet future obligations associated with third party agreements, legislation, and regulatory requirements.
- **Reserve Accounts** Represent amounts appropriated within the City's accumulated surplus for designated requirements.
- **Reserve Register** A listing of Reserve accounts maintained by Administration that lists all current active reserve accounts and their purpose, descriptions including allowable expenditures, responsible branch, and whether the reserve is interest bearing and has a minimum balance requirement.
- **Specific Purpose Reserves** Used to fund specific projects or initiatives.
- **Stabilization Reserves** Used to minimize impacts on service delivery and the general tax-levy by accommodating fluctuations in program revenue and expenses for operations that are intended to be self-sustaining. These reserves are often used to stabilize volatile revenue streams or balance revenue and expenditure streams over the long term.

References

- Reserve Register