



*Guardian of Public Trust*

## **Memo**

**PURPOSE:** Decision

**TO:** City Council

**FROM:** Ben Henderson, Chair

**DATE:** April 2, 2026

**SUBJECT: EPS Operating Reserve Repayment Strategy**

### **RECOMENDATIONS:**

- That the reserve repayment strategy be accepted.

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The City of Edmonton's reserve policy provides an important safeguard for City Council and Edmonton taxpayers against police budget overages. Since the operating reserve policy was introduced, EPS has not incurred a deficit that required financial support from the City. Under the policy, any deficit must be addressed and repaid within three years.

City Council approved Council Policy C605 Edmonton Police Service Reserve (Attachment 1), which authorizes the police service to retain and manage operational surpluses and deficits within the City's overall accumulated surplus. One hundred percent of the Edmonton Police Service annual operating surplus or deficit is to be transferred to or from the Edmonton Police Service Reserve. When the reserve is in a deficit position, the policy requires the development of a strategy, subject to City Council approval, to restore the reserve to a balanced position not to exceed three years, starting with the subsequent year operating budget.

The operating results for the period ending December 31, 2025, placed the EPS operating reserve in a deficit of \$4.870 million. EPC prioritized paying down the deficit

and supports a funding source to address this deficit in the 2026 fiscal year. The table below captures the year end balances for the past 3 years.

<b>Year</b>	<b>Deficit Balance</b>
2023	\$1,102 million
2024	\$0.58 million <sup>1</sup>
2025	\$4,870 million

The deficit does not have an impact on how additional funds from the funding formula for inflation and population growth will be spent. The EPS has committed to allocating \$6 million in growth funding from the formula in 2026 for priority positions in alignment with direction from the Commission.

In March 2026, the Edmonton Police Commission approved the following:

1. That the Edmonton Police Commission approve the \$4.795 operating deficit for 2025 move to the operating reserve, resulting in a cumulative reserve deficit of \$4.870 million as of December 31, 2025.
2. That the Edmonton Police Commission approve a report to City Council that supports the Edmonton Police Service by managing the operating deficit through operating expenditures in 2026, in a format to be approved by the Commission's Executive Director.
3. That the Edmonton Police Commission direct \$4.870 million be moved from the operating budget of 2026 to the 2026 operating reserve, resulting in a cumulative reserve deficit of zero dollars as of December 31, 2026.

By taking these steps, the Commission and the EPS has:

- Ensured effective fiscal governance with respect to management of deficits for 2023, 2024 and 2025.
- In accordance with City of Edmonton policy communicated to City Council, the strategy to repay the deficit for years 2023 to 2025 is to proactively require movement of the required funds from the current operating budget into the reserve account to ensure repayment in full.
- By motion, committed the service to clearing the deficit by the end of 2026.

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<sup>1</sup> The 2024 deficit balance was reduced to \$0.076 million resulting from council approval fiscal amendments on an IT project.

These steps ensure compliance with City policy by outlining a clear strategy to eliminate the reserve deficit within the required threeyear timeframe. The total deficit remains less than one percent of EPS's annual operating budget, which exceeds \$500 million.

Attachments:

- Policy C605, Edmonton Police Service Reserve



# CITY POLICY

**POLICY NUMBER: C605**

**REFERENCE:**

**ADOPTED BY:**

City Council June 26, 2018

**SUPERSEDES:**  
New

**PREPARED BY:** Financial and Corporate Services

**DATE:** June 21, 2018

**TITLE:** **Edmonton Police Service Reserve**

**Policy Statement:**

1. In compliance with this policy, Reserve and Equity Accounts Policy C217C and the Municipal Government Act, the establishment of an Edmonton Police Service Reserve and the transfers to and from the reserve requires Council approval through the budget.
2. The Edmonton Police Service Reserve is established to manage operational surpluses and deficits of the Edmonton Police Service over time. This reserve is non-interest bearing.
3. One hundred percent of any annual Edmonton Police Service operating surplus will be placed in the Edmonton Police Service Reserve. One hundred percent of any annual operating deficit will be drawn from the Edmonton Police Service Reserve. In the event the reserve falls into a deficit position, a strategy will be developed by the Edmonton Police Service, to be approved by City Council, in order to achieve a balanced position 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, adjustments to capital priorities and managing operating expenditures.
4. The Edmonton Police Service Reserve may be used to fund one-time operating requirements and Edmonton Police Service capital projects. Funding from the reserve for capital projects will require approval from City Council.

**This policy is subject to any specific provisions of the Municipal Government Act or other relevant legislation or Union Agreement.**



# CITY POLICY

**POLICY NUMBER: C605**

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**AUTHORITY:** City Council

**EFFECTIVE DATE:** June 26, 2018

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**TITLE:** **Edmonton Police Service Reserve**

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**PAGE: Page 2 of 2**

5. The Edmonton Police Service Reserve balance, as well as establishment or review of the minimum balance, will be reviewed a minimum of every three years, with recommendations made to City Council.
6. The Edmonton Police Service Reserve does not exempt the Edmonton Police Service from following the City of Edmonton capital budgeting processes, including capital budget carry forward processes.

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**The purpose of this policy is to:**

1. Provide guidelines for a reserve that will permit the Edmonton Police Service to retain and manage operational surpluses and deficits within the City of Edmonton's overall accumulated surplus.



# CITY PROCEDURE

**POLICY NUMBER: C605**

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**AUTHORITY:** City Manager

**EFFECTIVE DATE:** June 26, 2018

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**TITLE:** **Edmonton Police Service Reserve**

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**PAGE: Page 1 of 2**

## 1. DEFINITIONS

1.1 Reserve Account represents amounts appropriated from accumulated surplus for designated requirements.

1.2 Edmonton Police Service Reserve is an uncommitted Reserve Account established for the purpose of managing operational surpluses and deficits of the Edmonton Police Service.

## 2. PROCEDURES

2.1 City Manager to:

- a) Recommend to City Council approval of this Policy and amendments thereto.
- b) Recommend to City Council approval of the establishment of and changes to the Edmonton Police Service Reserve.

Edmonton Police Commission to:

- c) Recommend transfers to or from the reserve.
- d) Recommend to City Council a strategy to replenish the Edmonton Police Service Reserve if the reserve balance falls into a deficit position.

2.2 Transfers to and from the reserve will be approved through the budget.

2.3 The Chief Financial Officer will undertake a detailed review of the Edmonton Police Service Reserve every three years as part of the City of Edmonton's reserve review process.

This policy is subject to any specific provisions of the Municipal Government Act or other relevant legislation or Union Agreement.



# CITY PROCEDURE

**POLICY NUMBER: C605**

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**AUTHORITY:** City Manager

**EFFECTIVE DATE:** June 26, 2018

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**TITLE:** Edmonton Police Service Funding Formula

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**PAGE: Page 2 of 2**

2.4 One hundred percent of the Edmonton Police Service annual operating surplus or deficit is to be transferred to or from the Edmonton Police Service Reserve.

2.5 In the event the reserve falls into a deficit position, a strategy will be developed by the Edmonton Police Service, to be approved by City Council, in order to achieve a balanced position 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, adjustments to capital priorities and managing operating expenditures.

2.6 The Edmonton Police Service may choose to fund one-time operating budget requirements from the Edmonton Police Service Reserve after considering the general financial position and the balance of the Edmonton Police Service Reserve.

2.7 The Edmonton Police Service Reserve may be used to fund Edmonton Police Service capital projects as approved by City Council. The use of reserve funds must be reported back to City Council through the City of Edmonton's financial reporting process and the supplemental capital budget adjustment process.

2.8 The Edmonton Police Service Reserve does not exempt the Edmonton Police Service from following the City of Edmonton capital budgeting processes, including capital budget carry forward processes.

2.9 Transfers to and from the Edmonton Police Service Reserve will be reported to City Council as part of the City of Edmonton's financial performance reporting process.

This policy is subject to any specific provisions of the Municipal Government Act or other relevant legislation or Union Agreement.