

# Procedure

## Municipal Funding Arrangements

This procedure falls under Administrative Policy A1476A Municipal Funding Arrangements.

<b>Program Impacted</b>	Financial Management <i>The City of Edmonton's resilient financial position enables both current and long-term service delivery and growth.</i>
<b>Approved By</b>	Deputy City Manager, Financial and Corporate Services
<b>Date of Approval</b>	January 10, 2025 ( <i>Table 3 headings</i> )
<b>Approval History</b>	November 19, 2024
<b>Next Scheduled Review</b>	September 30, 2026

### Purpose Statement

Municipal Funding Arrangements take various forms of contributions, such as grants, sponsorships, rebates and subsidies. Each type of funding serves a distinct purpose and allows the City to address diverse community priorities.

This procedure guides the administration, compliance, and reporting requirements for Municipal Funding Arrangements. The procedure aims to ensure that all Municipal Funding Arrangements are managed with transparent and consistent practices and that all relevant governance, regulations, and policies are followed.

### Administration

The awarding of funding arrangements shall be guided by consistent practices and the guiding principles set out by the Administrative Policy Municipal Funding Arrangements A1476A.

The process for administering and approving funding arrangements must consider the following:

- Municipal Funding requests must demonstrate a clear alignment with the City's strategic goals (i.e. ConnectEdmonton), The City Plan and approved corporate plans.
- Municipal Funding Arrangements shall be granted for programs and services that directly benefit the citizens and community of Edmonton.
- Business areas are to have a formalized application process through the specific funding program's application system, with predetermined program guidelines and eligibility requirements. Where funding is

directed by Council and/or the City Manager outside of a formal funding program, it must still align with City's strategic goals, The City Plan and approved corporate plans.

- Business areas should request pertinent documentation that is specified in the funding program. This may include, but is not limited to, records of previous City funding, financial statements, budget details, proof of not-for-profit status, insurance documents, request letters and letters of support. The supporting documentation provided ensures funding accountability and is recommended for internal reviews and audits.
- Business areas are to have proper documentation of the decision and justification for selecting the recipient for funding.
- Retention of Funding Agreements, and pertaining records and documentation will be administered in accordance with Corporate Records Guidelines and the Classification and Retention Schedule as outlined on OneCity → Safety & Operating Standards → Corporate Records & Information Management, as well as any other City records retention guidelines or policies that may come into effect after the approval of this policy.
- When possible, Business areas are to confirm that the applicants are not in default of the terms and conditions and reporting requirements with any previous funding agreement within any City branch, agency, board or commission.
- Business areas are required to record funding arrangements in the City's financial system accounts in accordance with [Attachment I - City Contribution Cost Elements](#).
- To maximize the allocation of public dollars, applicants may apply to only one funding program per project. Exceptions may be considered for expansions to or new components of a previously funded project.
- Verification is required where City funding is used to support, fund or finance construction projects. The amount approved is to be based on a bona fide estimate, and payments to be provided based on the funding agreement, with completion progress verified by a qualified professional or the program manager before payment is authorized.
- Where possible, the City should obtain a form of security in the initiative or project being funded to ensure completion of the project, and the recipient's fulfillment of the terms of the funding agreement. The form of security may differ depending on the funding category or project.

### **Municipal Funding Categories**

The City provides funding to external entities, organizations, businesses through various funding programs. Please refer to [Attachment II - Municipal Funding Arrangements Decision Matrix](#) to determine which type of Municipal Funding Arrangement is best suited to the circumstances.

The funding categories are outlined below in Table 1: Municipal Funding Category.

**Table 1: Municipal Funding Category**

Funding Category	Description
Grant	<p>The City offers grant funding programs to support businesses, communities and not-for-profit organizations. The grants are often targeted to address emerging needs, specific priorities, enhance public services, promote civic engagement and improve the quality of life for the community. Grants are awarded based on an established program, which includes an eligibility criteria, a formalized application process, and a defined selection process.</p> <p>The reporting requirements for grant funding programs are to include:</p> <ul style="list-style-type: none"> <li>● Activities</li> <li>● Outputs</li> <li>● Outcomes</li> <li>● Financial reporting</li> </ul> <p>Refer to <a href="#">Attachment III - Municipal Funding Arrangements: Grants</a></p>
Subsidy	<p>A subsidy provides financial assistance and/or operating support to external entities, businesses, or not-for-profit organizations outside of a formal funding program. The majority of the City's subsidies are provided to the Agencies, Boards and Commissions listed in <a href="#">Attachment X - List of Agencies, Boards and Commissions</a>. Subsidies are intended to reduce costs of goods and services, incentivize investments or mitigate financial risks for recipients. Subsidy contributions are often discretionary and approved by the City Council as part of the budget process.</p> <p>The reporting requirements for subsidy agreements include:</p> <ul style="list-style-type: none"> <li>● Activities</li> <li>● Outcome</li> <li>● Outputs</li> <li>● Financial reporting</li> </ul> <p>Refer to <a href="#">Attachment IV - Municipal Funding Arrangements: Subsidy</a></p>
Rebate	<p>Rebate programs are designed to encourage specific practices that align with the City's strategic goals and environmental priorities. This can include promoting energy efficiency practices, environmental conservation, or other initiatives that benefit the public as a whole (i.e. energy efficiency, green objectives). Rebate programs provide partial reimbursement on initial costs or paid fees incurred by individuals, businesses, and organizations using a predetermined formula, rate, or condition calculated to determine the rebate amount accurately.</p> <p>The reporting requirements for rebate agreements include:</p> <ul style="list-style-type: none"> <li>● Activities</li> <li>● Financial reporting.</li> </ul>

	Refer to <a href="#">Attachment V - Municipal Funding Arrangements: Rebates</a>
Sponsorship	<p>Sponsorship funding provides financial contributions to an organization or business hosting an event, activity or initiative in exchange for recognition to the City.</p> <p>The reporting requirements for sponsorships agreements will include:</p> <ul style="list-style-type: none"> <li>• Activities reporting</li> <li>• Proof of City promotional recognition</li> </ul> <p>Refer to <a href="#">Attachment VI - Municipal Funding Arrangements: Sponsorship</a></p>
Below Market Non-Profit Leases	<p>Below Market Non-Profit Leases provide land or buildings to registered non-profit entities, granting access and use for a specified term at a nominal rate as opposed to the current market value.</p> <p>At minimum, annual reporting is to be provided to City Council identifying all non-profit leases below market, with the goal to align below market non-profit leases with the full scope of this policy and procedure, including development of funding arrangements with identified outcomes, and full outcome reporting to City Council.</p>

### Funding Arrangement

Municipal funding provided to external organizations needs to be formalized through a funding arrangement. Funding arrangements can be in the form of a Funding Agreement or [Attachment VIII- Funding Letter Template](#). Table 2 provides guidance specific to funding thresholds for Funding Letters and Funding Agreements.

**Table 2: Funding Agreement and Funding Letter Thresholds**

Funding Amount	Funding Arrangement
\$250,000 or Greater	Funding Agreement <b>Required</b>
\$25,001 to \$249,999	Funding Letter or Funding Agreement
\$25,000 or less	Funding Letter <b>Recommended</b>

- A Funding Letter is a formal document that may be used in the context of low-risk funding arrangements, and outlines the funding obligations. For funding below a predetermined threshold and risk, a Funding Letter may be used.

- Funding Agreements and Funding Letters will be administered in accordance with [Attachment VII - Funding Letter & Funding Agreements Risk Matrix](#). Guidance is provided on risk assessment with funding, and when a Funding Agreement or Funding Letter should be utilized.
- Funding Agreements and Funding Letters are to be developed in collaboration with the City's Legal Services to define the stipulations and terms and conditions. Legal Services is responsible for reviewing and approving the funding agreement and/or funding letter to ensure it is in compliance with all applicable laws, regulations, contractual obligations and adheres to [Administrative Procedure A1459 Review and Execution of Agreements](#).
- While the funding arrangement can vary, it must ensure clarity and accountability regarding the funding amount, use of funds, timelines, reporting requirements, and procedure for amendments or termination of the funding agreement.
- The Funding Award Letter template may be adopted as guidance to developing funding letters. In instances where a project or program recommended for funding is relatively low risk, and where the funding award is equal to or over \$250,000 a Standard Form Agreement *can be* provided by Legal Services. The Standard Form Agreement must outline the amount awarded, terms and conditions, progress and outcome reporting requirements.
- Business areas must not disburse funding until the funding agreement is fully executed or the funding letter has been signed by all parties. A funding agreement is considered fully executed once it has been date-stamped and filed by the Office of the City Clerks.

### **Compliance Monitoring**

Compliance Monitoring with Municipal Funding Arrangements is required to ensure adherence to funding agreements or funding letters, and that the allocated funding is used as intended. Compliance monitoring requires that Business Areas monitor recipients compliance to the terms and conditions of their funding arrangement, and that the Financial Services Branch (Financial Services) ensures funding arrangements are executed, managed and reported in accordance with governance.

Annually, Financial Services will provide a report summarizing its findings to the Branch Manager of Financial Services, applicable Branch Managers of City Departments, and Deputy City Manager & Chief Financial Officer, Financial and Corporate Services.

### **Final Reporting**

Final reporting serves as a tool for accountability and to ensure that the municipal funding is used effectively to achieve the intended objectives of the funding provided to external organizations. The City requires all recipients of municipal funding to adhere to the final reporting requirements as outlined in the Funding Agreement or Funding Letter. Final reporting requirements will be administered in accordance with

Attachment II - Municipal Funding Arrangements Decision Matrix, and the type of reporting requirements will vary based on the funding amount.

- Business areas should, at minimum, obtain activity, output and financial reporting for **ALL** funding arrangements regardless of amount (exception for Rebates and Sponsorship which have different reporting requirements as indicated in Attachment II - Municipal Funding Arrangements Decision Matrix).
- The Final Reporting template, available on OneCity, is to be adopted as guidance to the final reporting requirements.
- The Municipal Funding Arrangement recipient will provide a signed Final Report within 90 days of completion of the initiative, as outlined in the funding agreement and/or funding letter.
- Annually, Business Areas will provide the outcome reporting that highlights how the funding investments support the City Strategic Plan. This type of outcome reporting is to include total funds invested, number of organizations funded, number of projects funded and the highlights from the investments.

Table 3 provides guidance specific to thresholds for reporting requirements.

**Table 3: Reporting Requirements Thresholds**

Reporting Requirement	All Funding Amounts	\$1 Million and Over	\$250,000 to \$999,999	Under \$250,000
Activity Reporting	Required	Required	Required	Required
Output Reporting	Required	Required	Required	Required
Outcome Reporting		Required	Required	Optional
Financial Reporting	Required	Required	Required	Required
Audited Financial Statements		Required	Preferred	Optional
Review Engagement Statements		Not Accepted	Required	Optional
Notice to Reader Statements		Not Accepted	Not Accepted	Optional
Internally Generated Statements		Not Accepted	Not Accepted	Optional

Outcome reporting for municipal funding arrangements ensures that investments made are transparent, accountable and consistent. At minimum, recipients of municipal funding must provide annual reporting based on the Final Reporting Requirements.

The Business area, in partnership with the Financial Services Branch (Financial Services), is responsible for reviewing the interim/final reporting and following up with the funding recipient for any additional information. The review will include consideration of the following:

- Was the funding used according to the approved budget and on eligible expenses?
- Are there unspent funds that need to be returned to the City?
- Were the activities, outputs and outcomes achieved as expected?

Attachment IX - Outcomes Toolkit has been developed as a resource for Funding Administrators across the City to support in identifying final reporting measures to be incorporated into funding letters and/or agreements

based on the Municipal Funding Arrangements Decision Matrix. Department Strategy sections and Corporate Performance & Reporting (Service Innovation & Performance Branch, FCS) should be consulted to ensure alignment and integration with Enterprise Performance Management requirements.

### Unspent Funds

In the event that the expenses do not equal or exceed the approved funding, the following guideline applies:

- **For funding arrangements under \$500**, the Business area, in collaboration with Financial Services, may choose to allow the recipient to keep the unspent funds.
- **For funding arrangements over \$500**, Administration may waive the return of unspent funds if \$500 or less remains.

The Business Area must document the decision and reason for waiving the return of unspent funds and provide written confirmation to the funding recipient. When making the decision to waive the return of unspent funds, the Business Area should consider, at minimum, the following:

- Total funding provided to the funding recipient,
- Total amount of unspent funds reported,
- How often has the funding recipient been approved to retain unspent funds, and
- Has the funding recipient been permitted to retain unspent funds in the past 12 months

Unspent funds must be used by the organization for a purpose that supports the same outcomes as previously agreed upon and must be pre-approved by the Business Area.

Any waiver of unspent funds must be tracked by the business area for review by Financial Services, annually. If Business Areas/Financial Services observe a significant accumulation of unspent funds across various organizations, it may be necessary to review existing processes and/or conduct analysis to identify the causes and develop solutions.

### Outcome Reporting

Outcome reporting will be provided annually to City Council for the City's Municipal Funding Arrangements. Financial Services, in collaboration with Business Partners, will provide an annual report to Council before the Fall Supplemental Operating Budget Adjustment and/or Fall Operating Budget discussions. The report will include the following key elements:

- General background of municipal funding at the City
- Highlights of funding in the year
- Summary of outcomes that funding is intended to achieve in relation to City goals, including any challenges in achieving intended outcomes
- Attachments shall include:
  - Summary of funding in the year
  - Attachments for each of the ABC's outcome reporting

As part of the reporting to Council, Agencies, Boards, and Commissions will be invited to attend Council to

respond to questions.

### Roles & Responsibilities

The roles and responsibilities collectively ensure the effective administration and monitoring of Municipal Funding Arrangements. The administration of municipal funding arrangements will require collaboration among the following business areas:

Role	Responsibilities
Departments/ Business Areas (Role: Program Administrators, Program Managers, Program Areas, Grant Management)	<ul style="list-style-type: none"> <li>● Adhere to the Municipal Funding Arrangement Administrative Policy &amp; Procedure A1476A and governing documents</li> <li>● Develop and maintain funding program guidelines, eligibility criteria, application process and assessments for the specific funding categories</li> <li>● Assess program and/or project budgets to ensure alignment with the eligibility criteria in the case of formal funding programs</li> <li>● When necessary or prudent, engage the community and stakeholders in the development of funding programs to ensure alignment with City and community priorities</li> <li>● Develop, review and approve funding agreements and/or funding letters in consultation with Legal Services</li> <li>● Ensure that funding agreements with agencies, boards and commissions align with council direction provided through budget process</li> <li>● Oversee disbursement of funds to ensure they are released in accordance with the terms and conditions of the funding agreement/letter</li> <li>● Maintain and manage communication with recipients</li> <li>● Advise and support recipients/Business Partners in identifying key deliverables from funding agreement terms and conditions</li> <li>● Ensure compliance with any eligibility requirements prior to the release of funding</li> <li>● Reporting requirements in funding arrangements with agencies (Edmonton Public Library, Explore Edmonton, Fort Edmonton Management Company, Non-Profit Housing Corporation (HomeEd), Edmonton Unlimited) that must be consolidated into the City's financial statements must adhere to the Financial Services year-end reporting timelines and requirements.</li> <li>● Ensure funding recipients adhere with the contract terms of the funding agreement, ensuring funds are used for their approved purposes and that reporting requirements are fulfilled</li> <li>● Promptly notify Financial Services of any action (ie. stop funding) to be taken due to non-compliance</li> <li>● Retain records and documentation pertaining to funding agreements in accordance with Corporate Records Management guidelines and retention schedule</li> <li>● Complete final reporting requirements on the impacts of funding in advancing the City Strategic goals</li> </ul>
Legal Services Solicitor	<ul style="list-style-type: none"> <li>● Provide Departments/Business Areas and Financial Services legal advice and counsel as necessary</li> <li>● In collaboration with Business Areas draft, review and approve funding agreements and/or funding letters</li> </ul>



	<ul style="list-style-type: none"> <li>● Ensure compliance with applicable laws, regulations and contractual obligations</li> <li>● Address any legal issues or disputes related to funding agreements</li> <li>● Identify and advise on mitigating risks associated with funding agreements and/or funding letter</li> <li>● Collaborate with Departments/Business Areas to ensure legal compliance</li> </ul>
Financial Services	<ul style="list-style-type: none"> <li>● Establish and maintain financial policies and governance documents for the administration of Municipal Funding Arrangements</li> <li>● Train, inform, and provide guidance to Departments/Business Areas on the use of Municipal Funding Arrangements A1476A Policy, Procedure and governing documents</li> <li>● Provide financial analysis support and assess financial sustainability of funded initiatives</li> <li>● In collaboration with business areas, evaluate budget, financial statements and financial plans of recipients</li> <li>● Assess program and/or project budget and funding sources</li> <li>● Confirm that City budget exists for the specific Municipal Funding Arrangement</li> <li>● Lead compliance monitoring activities in collaboration with Business Areas, and Business Financial Analytics in accordance with Compliance Monitoring guidelines</li> <li>● Monitor compliance to ensure Municipal Funding Arrangements are executed, managed and reported</li> <li>● Provide feedback and reference materials to Business Areas tested in a particular year for compliance</li> <li>● Report compliance monitoring results to the Branch Manager and Deputy City Manager of Financial Services, and applicable Department Branch Managers</li> <li>● Monitor and report to City Council and/or Committees on outcomes achieved via Municipal Funding Agreements</li> <li>● Provide Business Areas financial advice and proper recording/coding of funding in the financial system, as necessary</li> <li>● Financial Services, in collaboration with Business Areas, will provide an annual outcomes report to City Council</li> </ul>
Department Communications & Engagement	<ul style="list-style-type: none"> <li>● Provide their assigned departments/business areas advice on communication strategies to effectively distribute information to the public, community and stakeholders regarding Municipal Funding Arrangement opportunities</li> <li>● Ensure communication aligns with City objectives</li> <li>● In collaboration with their assigned departments/business areas, develop and manage content across various platforms (website, social media, media, brochures, newsletters)</li> <li>● Support their assigned departments/business areas in developing communication and engagement plans</li> </ul>

## Definitions

All definitions included in the Municipal Funding Arrangements Administrative Policy A1476A are also applicable to this document. In addition, this document includes the following definitions:

- **Compliance Monitoring** - Refers to the process of monitoring and ensuring funding recipients adhere to the requirements of the funding agreement and/or funding letter. This may involve verification, evaluation of recipients activities, expenditures and outcomes to ensure accountability and compliance with use of funds, and for ensuring that recipients fulfill final reporting requirements. Reporting on findings from the compliance reviews is also part of the process.
- **Eligibility Criteria** - Terms that specify who qualifies to receive a contribution and/or the actions necessary to qualify for the contribution prior to receipt.
- **Funding Agreement** - A legal instrument documenting the terms and conditions under which a recipient receives public funds. Municipal Funding includes direct contributions, grants, sponsorships, rebates or operating support.
- **Funding Letter** - For funding below a predetermined threshold and risk, a funding letter provides assurance and conditions for the use of funds that is less administratively burdensome than the Funding Agreement.
- **Financial Statements** - Formal records of the financial activities of the funding recipient including those prepared internally or through a Notice to Reader or subject to a Review Engagement or Audit.
- **Form of Security** - Form of security refers to the financial instruments or measures put in place to ensure a project is completed as contractual agreement and to mitigate risk. Form of security is common for construction projects and can include performance bonds, payment bonds, retainage, letters of credit, company guarantees, default insurance.

This procedure will be reviewed and updated to ensure alignment with the City's strategic goals.

## Resources

The following resources are related to this Municipal Funding Arrangements Procedure and can be accessed on OneCity → Safety & Operating Standards → Financial Procedures → Municipal Funding Arrangements.

- Attachment I - City Contributions Cost Elements
- Attachment II - Municipal Funding Arrangements Decision Matrix
- Attachment III - Municipal Funding Arrangements: Grants
- Attachment IV - Municipal Funding Arrangements: Subsidy
- Attachment V - Municipal Funding Arrangements: Rebates
- Attachment VI - Municipal Funding Arrangements: Sponsorship
- Attachment VII - Funding Letter & Funding Agreement Risk Matrix
- Attachment VIII - Funding Letter Template
- Attachment IX - Outcomes Toolkit
- Attachment X - List of Agencies, Boards and Commissions