


Reserve Policy – Rate Reserves	 Hamilton	Corporate Services Department
Policy No: RATE-01		
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POLICY STATEMENT	This Policy sets out the guidelines for the sources, uses and appropriate target level for the balances in the Rate Supported (water, wastewater and storm) Reserves.
PURPOSE	<p>The Rate Supported Reserves (“Rate Reserves”) are established to prevent significant fluctuations in user fees that fund the rate supported programs (water, wastewater and storm) and to help the City manage its cash flow by providing a source of funding to offset extraordinary and unforeseen expenditures, to fund one-time expenditures, to offset revenue shortfalls and to provide for various contingent and potential future liabilities.</p> <p>The rate reserves are not intended to be a long term funding source for general operations.</p>
SCOPE	This Policy applies to all City employees that manage financial resources.
PRINCIPLES	<p>The following principles apply to this Policy:</p> <p>Authority:</p> <ul style="list-style-type: none"> • All transfers from the Water Reserve (108015), Wastewater Reserve (108005) and Storm Reserve (108010) must be approved by City Council either by a budget submission, by a separate Council report or by a Council motion. • Staff in the rate supported operating departments must make a request to the Financial Planning and Policy Division of the Corporate Services Department responsible for reserves for approval to use the Rate Reserves. All relevant information is to be included with the request. • The General Manager of Finance and Corporate Services has the authority to recommend the use of the rate reserves or other reserves to fund expenses or revenue shortfalls. <p>The source of funds that are to be transferred to this reserve include:</p> <ul style="list-style-type: none"> • Year-end rate supported operating budget surplus, subject to final approval of the City Administration’s report by Council. • Repayment of principal plus interest for any internal borrowings from the reserve as per policies and procedures. • Remaining balances in related rate supported reserves approved for closure. • Investment income earned on the reserve’s balance as per policies and procedures. • One time unexpected sources of operating revenues.

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	<p>The use of funds from this reserve is permitted if other sources of funding are not available. Uses may include:</p> <ul style="list-style-type: none"> • Offsetting of extraordinary and unforeseen operating expenditures. • Offsetting of rate revenue shortfalls. • Funding of rate operating program phase-ins, pilot programs and one-time grants • Funding of large capital projects. • Borrowing to fund rate supported operating programs or special requests 	
RESERVE BALANCE TARGET LEVEL	<p>The balances in the rate reserves have a target level %, target level \$ and ceiling as follows:</p> <p>Target Level %: Between 0.5% and 2% of asset value replacement</p> <p>Target Level \$ (minimum and maximum):</p> <ul style="list-style-type: none"> • Water Reserve (108015): \$13 million - \$53 million • Wastewater Reserve (108005): \$21 million - \$87 million • Storm Reserve (108010): \$10 million - \$39 million <p>Ceiling: Maximum target level</p>	
GOVERNING LEGISLATION	There is no legislation governing the use of this reserve.	
RESPONSIBILITY FOR THE POLICY	Corporate Services Department Director of Financial Planning and Policy	
POLICY HISTORY	This reserve policy replaces the general reserve policies that were approved by Council in October 2005 in Report FCS0511.	