

HAMILTON POLICE SERVICE

POLICE RESERVES

OPERATING BUDGET SURPLUS (DEFICIT) RETENTION POLICY

Policy Statement

The creation of a formal operating budget surplus (deficit) retention policy to Police Reserves and a policy on the creation, use, and management of reserves, within the framework of a formalized Police reserve policy, is a best practice initiative recommended by Ontario Association of Chiefs of Police (OACP), and followed by all Police Services and Municipalities throughout the Province of Ontario.

Reserves are used to accumulate funds over time to replace capital assets and provide a measure of financial flexibility to budget shortfalls or unexpected or unanticipated events. A balanced approach to the planning and use of the reserves is considered good financial management, it permits Police funds to be spent sensibly in future Police operations, and ensures Police service levels are maintained and not immediately impacted by any potential unexpected events.

Purpose

To establish guidelines and criteria for proper administration of Hamilton Police Service's accumulated operating budget surpluses and/or deficits retained by the Hamilton Police Service in Police designated reserves.

Policy

1. That any future surpluses arising from the Hamilton Police Service operating budget be initially transferred to the Hamilton Police Service Tax Stabilization reserve, held by the City of Hamilton.
2. That any future deficits from the Hamilton Police Service operating budget be funded firstly from the Hamilton Police Service Tax Stabilization reserve.
3. That the use or transfers of funds from the Police Tax Stabilization reserve be approved by the Hamilton Police Service Board.

Authority

The City of Hamilton has authority for the establishment and use of reserves as per section 290 of the *Municipal Act*.

Appendix A

General Guidelines

1. All expenditures from any Police Reserve shall require Hamilton Police Service Board approval, either through a separate Board report, motion, or through the annual budget process.
2. All transactions for expenditure and revenues related to reserves are to be processed through the Police current operating fund or the Police capital fund and then transferred to or from the Police reserves.
3. Actual investment earnings from the City of Hamilton's investment management program are to be allocated to the Police reserves based on month end balances for a 12 month (Dec-Nov) period.

Guidelines for Borrowing from Reserves

1. Borrowings from a reserve are to be allowed only if the analysis of the reserve funds indicates excess funds are available and the use of the funds will not impact the reserves current operations.
2. All internal reserve borrowings are to be repaid with principal and interest.
3. The internal borrowings interest rate shall be the rate equivalent to the City of Hamilton's external borrowing rate at the time of the borrowing.

Governing Legislation

Reserves are governed by the Ontario *Municipal Act*.

Policy History

A formal Police reserve policy has not existed in the past. However, it has been a past practice any Police operating budget surplus (deficit) has been retained in Police reserves held by the City of Hamilton. Any and all transfers to / from the Police reserves have been approved by the Hamilton Police Service Board through a Board report, motion, or through the annual budget process.

Appendix B

HAMILTON POLICE SERVICE

OPERATING BUDGET SURPLUS (DEFICIT) RETENTION POLICY

POLICE TAX STABILIZATION

Policy Statement

This policy sets the guidelines for the sources, uses, and appropriate target levels for the balance in the Police Tax Stabilization Reserve.

Purpose

To offset Police Service cost increases due to fluctuations in the economy and/or to offset yearly budget increases and/or deficits.

Policy

1. That any future surpluses arising from the Hamilton Police Service operating budget be initially transferred to the Hamilton Police Service Tax Stabilization Reserve held by the City of Hamilton.
2. That transfers from the Tax Stabilization Reserve to any other Hamilton Police Service Reserve (i.e. Capital Reserve) and/or to fund planned capital expenditures, and/or to offset annual budget increases, be approved through recommendation and resolution by the Hamilton Police Service Board.
3. That any deficits from the Hamilton Police Service operating be funded firstly from the Hamilton Police Service Tax Stabilization reserves.
4. That the use of funds from the Tax Stabilization Reserve be approved by the Hamilton Police Service Board.

Authority

1. All uses of funds in the Tax Stabilization Reserve must be approved by the Hamilton Police Service Board either by a budget submission, by a separate Board report, or by motion of the Hamilton Police Service Board.
2. The City of Hamilton has authority for the establishment and use of Reserves per section 290 of the *Municipal Act*.

Appendix B

Source of Funds

The Police Tax Stabilization Reserve was initially funded through Omers' contribution holiday for the period August 1999 to December 2003 and/or via annual Operating Fund surplus through approved Board resolution. Moving forward, the source of funds are to be transferred to this reserve include;

1. Initial year end operating budget surplus.
2. Investment income earned on the Reserve's balance as per City policy and procedures.
3. Any approved transfers from other reserves.
3. Remaining balances in Police reserves approved for closure.
4. If applicable, repayment of principal plus interest for any internal borrowings from the reserve as per City policy and procedures.

Use of Funds

The use of funds from the Tax Stabilization Reserve is permitted upon approval of the Hamilton Police Service Board. Uses may include;

1. Extraordinary and unforeseen operating expenditures.
2. Operating revenue shortfalls.
3. To offset annual budget increases.
4. Operating program phase-ins, pilot projects, and one-time expenditures.
5. Operational reviews and departmental reorganizations.
6. Borrowing to fund operating budget programs or special requests.
7. To transfer funds, through Hamilton Police Service Board recommendation and resolution, to another Police Reserve for funding future Police capital projects.

Appendix B

Target Levels

The balance in the Police Tax Stabilization Reserve has a target level %, target level \$, and ceiling as follows;

Target Level %: 5% of the previous year's tax levy for Hamilton Police Service.

Target Level \$: \$7 million (based on 5% of the 2014 Police levy to nearest million)

Target Ceiling: To be equivalent to the Target level dollars amount.

Governing Legislation

There is no legislation governing the use of the Police Tax Stabilization Reserve.

Limitations

Changes in the use of the Police Tax Stabilization Reserve are to be approved through a Hamilton Police Service Board resolution and forwarded to City Council for approval as changes in Reserve and Reserve funds are ultimately at the discretion of Hamilton City Council.